

# Technology Strategy Board

Driving Innovation

## Annual Report and Accounts 2010-11

# **Technology Strategy Board**

## **Annual Report and Accounts 2010-2011**

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

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## CONTENTS

### **Introduction:**

Introduction from our Chief Executive	1
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### **Management commentary:**

Business review of the year	2-10
Corporate activities	11-17
Sustainability and social responsibility	18
Financial highlights	19-21

<b>Remuneration report</b>	22-26
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### **Statements by Accounting Officer:**

Statement of responsibilities	27
Statement on internal control	28-32

### **Annual accounts:**

Certificate and report of the Comptroller & Auditor General	33-36
Statement of net expenditure	37
Statement of financial position	38
Statement of cash flows	39
Statement of changes in taxpayers' equity	40
Notes to the accounts	41 - 61

This *Annual report and accounts* covers the financial year 2010-11, ending 31 March 2011.

### **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.

**Our vision:** for the UK to be a global leader in innovation and a magnet for innovative businesses which can apply technology rapidly, effectively and sustainably to create wealth and enhance quality of life.

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 CHIEF EXECUTIVE

The 2010-11 financial year was characterised by change, both politically and economically, and for us as an organisation. Following the general election we were pleased to see the generous endorsement of our role in leading the UK's business and technological innovation from the new coalition Government. This was swiftly followed by the Government giving us responsibility for new programmes, particularly in the shaping of the exciting technology and innovation centres (Catapults). As part of the Government's plan for growth, the Technology Strategy Board is developing government's long-term investment portfolio in innovation.

Catapults are very much a long-term investment and something we believe will generate economic growth for years to come. During the year we made great progress in establishing the centres, with the first ones earmarked for high value manufacturing, cell therapies and offshore renewable energy. These centres will be an exciting new approach for us and for the UK and will become an important part of the innovation system, making a major long-term contribution to UK economic growth. This significant new investment will strengthen ties between universities and businesses and help to commercialise the outputs of Britain's world-class research base. Another important new area for us this year has been our decision to launch a new innovation platform in the area of stratified medicine, supporting companies to create cost-effective solutions to delivering the right treatment to the right patient at the right time. This programme brings together a group of national organisations to collaborate on an unprecedented scale, to build on the UK's strength within the global healthcare industries and put it at the centre of the next generation of medicine. It will see investment in excess of £75m over five years, in innovative technological R&D in areas such as improving tumour profiling in cancer, accelerating the validation and adoption of biomarkers, and uptake of medicines and companion diagnostics in the NHS.

We also reviewed our top level corporate strategy, *Concept to Commercialisation*, which confirmed that the thinking we had developed four years ago was still valid and could be further developed.

The competitive advantage of UK plc depends on effectively managing and commercialising the knowledge we have. History shows us that as recessions end, it is the nations whose knowledge-based businesses are strongest that recover the fastest and grow the most.

This reflects the essential purpose of all our work, as we try to close the gap between concept and commercialisation.

Surviving and thriving in a global marketplace means not merely cutting cost and adapting to market trends but leading with cutting-edge technology and innovation and investing for the long term.

Finally, I would like to extend my thanks and best wishes, along with our outgoing chairman Graham Spittle and the Board, to both Graeme Armstrong and Jeremy Watson for their valuable contributions to our work both having retired from the Governing Board this year. I would also like to express my sincere and deepest thanks to our departing Chair, Graham Spittle. Graham has worked tirelessly to support the Technology Strategy Board through its earliest incarnation as an advisory body to the then Department of Trade and Industry. He supported us through the transition to an executive non-departmental public body and played a major part in ensuring that we remained relevant, valued and supported through a major global financial crisis and a change in government. He leaves us in excellent shape as we welcome a new chair and face new challenges.



**Iain Gray**  
**Chief Executive**

## **BUSINESS REVIEW OF THE YEAR**

We live in very challenging economic times. Against a backdrop of slow economic recovery and restraint on public and business spending, the need to innovate has never been so important. It has been recognised that innovative businesses contribute far more to the UK's economic growth than others – this is what we aim to nurture and support.

### **Transition**

The 2010-11 financial year represented one of transition for the Technology Strategy Board. The context for this was set at the start of the year when the Spring saw in a new Government and a new public sector spending review period. Growth is a central priority for the Coalition Government, and innovation is a key enabler of that growth.

We were pleased that the Government endorsed our position as the UK's national innovation agency. In the keynote speech at our Innovate 10 conference in October 2010, Science Minister David Willetts said: 'The work of the Technology Strategy Board and its partners across Government... will make a critical contribution to converting leading positions in research into the growth industries of the future.'

In spite of the pressures on the public purse, our budget for the year rose from £329m in 2009-10 to £387m for 2010-11.

The theme of transition was also reflected through the review of our corporate strategy and subsequent publication of our new strategic outline, Concept to Commercialisation, which set out the blueprint for our work from the next financial year to 2015. While our core principles remain the same we have developed our strategic direction, building on our experience as a maturing organisation that has been operating separately from Government for four years.

Since 2007 we, our partners and the businesses we work with have together invested £2bn in innovation programmes. Around 4,000 businesses have taken part in almost 2,000 projects to develop innovative products and services. We have created strong partnerships with a wide range of bodies, joining forces to further accelerate innovation.

We have introduced more efficient processes, cutting the time it takes to turn around an applicant's proposal for funding from 26 weeks to eight weeks at our best, and we have reduced our external programme delivery costs from £21m to £15m.

### **New responsibilities**

With the new Government have come new responsibilities. We are setting up, and overseeing a network of technology and innovation centres as part of an exciting new Government investment in the UK's innovation landscape. Prime Minister David Cameron announced that the Government would spend £200m on the centres over the next four years.

The Government also asked us to take on management of a Grant for Research and Development programme to succeed that previously offered by the regional development agencies. We relaunched the scheme in April 2011.

## **Maturing programmes**

We have continued to develop our innovation programmes to suit business needs, for example, by establishing the feasibility studies strand of activity which we had piloted the previous year and which particularly benefits smaller companies. An integral part of these feasibility studies competitions is the opportunity at the end of the project for the companies involved to pitch their results to each other and other potential partners and investors – therefore offering value to the business beyond the funding itself.

## **Technology and innovation centres**

In October 2010 the Prime Minister David Cameron announced that the Government would invest £200m in a new network of technology and innovation centres (now referred to as Catapult) between 2011 and 2015. Designed to transform the UK's innovation capability in specific sectors, the centres aim to bridge the gap between universities and businesses and help to commercialise the work of Britain's world-class research base.

We are setting up, overseeing and coordinating this new network. We have worked quickly with government, business and the research community to set out a vision, strategy and plan that was published in May 2011. More than 500 positive responses were received to our initial prospectus published in January 2011.

We have planned for six technology and innovation centres by 2015. The first three – in high value manufacturing, cell therapy and offshore renewable energy – are already well developed. The High Value Manufacturing Technology and Innovation Centre opened for business in October 2011.

## **Maturing and developing programmes**

### Feasibility studies competitions

Helping smaller companies to innovate, and promoting collaboration, are two of our key priorities. They are combined in our competitions for feasibility studies particularly targeted at small and micro companies.

The aim of these studies is to help many innovative small businesses to overcome commercial barriers. Each feasibility studies competition culminates in a 'Collaboration Nation' event where projects showcase their results to each other as well as potential new partners and investors. During 2010-11 we launched feasibility studies competitions for projects in the UK space industry, digital services, and our core technology areas and the 'Launchpad' pilot competition for 'disruptive solutions' was one of our great successes of the year.

We eventually awarded more than £3m to 243 projects across the three competitions.

## **More help for smaller companies**

### Grant for R&D

There are many other ways in which we seek to help smaller companies. During the year we worked to develop and relaunch the Grant for Research and Development scheme, previously offered by the regional development agencies, and oversaw an expansion in the Small Business Research Initiative (SBRI).



## SBRI

In using government as a 'lead customer' to drive innovation and boost future economic growth while cutting public spending, SBRI is proving to be a powerful tool in the current climate.

A report by the independent National Endowment for Science, Technology and the Arts (NESTA) published in June 2010 endorsed the power of SBRI for driving innovation and recommended that it should be scaled up.

SBRI was re-launched in March 2009 and about 30 new competitions are launched every year with partners ranging from the Department of Health to the Home Office. More than 2,000 organisations have applied to these competitions and over 600 have been awarded contracts.

The 'Retrofit for the future' programme – part of our Low Impact Buildings Innovation Platform work – was a big success for SBRI during the year. We worked with the Department for Communities and Local Government and the Department for Business, Innovation and Skills to help drive the market for environmental retrofitting of housing. The SBRI competition provided 100% contracts for 'whole dwelling solutions' to retrofitting, with the opportunity to test the solutions in real homes. We had an original target of 50 demonstration prototypes. Feasibility funding was awarded to more than 190 companies and 87 were eventually awarded development contracts, averaging £142,000, to carry out retrofits on existing social housing.

### **Demonstrating technology**

We have also worked with industry to create large-scale technology demonstrators in the areas of low carbon vehicles and digital services. These demonstrators help to overcome barriers, bringing partners together to test and validate what can be done, and so move new products closer to wider application.

### IC tomorrow

We have developed a digital testbed, called IC tomorrow, as part of an £18m programme to fund collaborative research and development and trials to help the UK digital economy to grow and thrive. The programme is designed to encourage new collaborations between people and organisations in the online world who do not normally work together and who have not been able to negotiate the challenges impeding the digital economy on their own. It links three challenges: developing an internet trusted by users; evolving hardware and software infrastructure; and proving new business models for digital content and services.

IC tomorrow is open to British businesses who can submit their web applications, data and business services. These can be accessed by registered users, and consumers' use of the trials and their comments are fed back to the companies.

### **Low carbon vehicles**

The Ultra Low Carbon Vehicle Demonstrator is a UK-wide programme involving 340 vehicles ranging from high-performance cars to small city runabouts, driven by real users making everyday journeys. Launched in 2009, the programme involved many large and small manufacturers, working with power companies, local authorities and universities. The trial project within the programme continued to roll out during 2010-11, and preliminary findings released in September 2011 suggest users were able to switch to ultra low carbon vehicles with ease. The main findings will be published in 2012. Beyond the demonstrator, we have continued to encourage low carbon vehicle innovation through research and development.

## Low impact buildings

In December 2010 we announced that more than 20 new building developments across the UK were to be subjected to a detailed and intensive assessment of their environmental impact in the first phase of a four-year programme that will help to deliver more energy efficient, better performing buildings. The findings will help the construction industry to better understand the performance of different building types. The £8m competition runs over two years with competition funds being awarded in tranches.

## Funding competitions 2010-11

Competitions that opened in 2010-11 and the committed level of investment in the projects awarded funding\*

Programme/Theme	Committed funding (000's)
Digital testbed - network services demonstrators	1,969
Regenerative medicine - stem cells for safer medicine	2,092
Ambient assisted living	1,000
Smart meters, smart homes	3,801
Building performance evaluation	4,410
Design for future climate - adapting buildings	2,421
SBRI - Home Office screening for drug drivers	288
Trusted services	8,591
EUREKA Eurostars	2,500
Collaboration across digital industries	13,056
Nuclear R&D feasibility studies	1,941
SBRI - energy efficient Whitehall	1,802
Man'g high value chemicals through industrial biotechnology	2,727
Assisted living: economic and business models, and social & behavioural studies	8,794
TechDemoSat	2,170
Launchpad disruptive solutions to digital, energy, healthcare and sustainability problems	600
Wave and tidal stream energy technologies - underpinning deployment	2,639
SBRI - ultra-efficient lighting	1,100
SBRI – Ministry of Defence competitions	1,625
SBRI - dementia	526
SBRI - stroke	324
Metadata: increasing the value of digital content	3,277
Metadata: production tools	3,374

Programme/Theme	Committed funding (000's)
Technology-inspired collaborative R&D (ICT; high-value man'fg; advanced materials; electronics, photonics and electrical systems; nanotechnology and biosciences)	17,993
Nanotechnology – enabled solar energy harvesting: building the supply chain	5,033
SBRI - independence matters (home and away)	200
SBRI - renewable content of waste	150
Galileo masters sat nav	100
Genomes UK - exploiting the potential of high-throughput sequencing	4,587
Harnessing large and diverse sources of data	5,102
SBRI - measurement of the energy yield from the bio-based fraction of mixed waste	109
ARTEMIS	6,700
ENIAC	4,675
SBRI - making waves	250
SBRI - assisted learning (plain sailing)	250
Independence matters II: keeping connected	1,015
Economics and business models, and social and behavioural studies	8,794
Digital services feasibility studies	1,889
Stratified medicines: developing business models and value systems	921
Technology-inspired feasibility studies (ICT; high value man'fg; electronics, photonics and electrical systems; nanotechnology; advanced materials; biosciences)	2,014
Innovation in space feasibility studies	1,838
Stratified medicines programme: inflammatory biomarkers for more effective drugs	2,802
Stratified medicines programme: tumour profiling & data capture to improve cancer care	5,843
SBRI - have I got views for you?	609
Regenerative Medicine - developing therapeutics	1,843
Regenerative Medicine - tools & technologies	6,633
Responsible development of nanoscale technologies feasibility studies	195
Highly innovative strategic technologies in low carbon vehicles (IDP6)	9,754
Batteries for low carbon vehicles: recycling and re-use (IDP6)	489
Disruptive technologies in low carbon vehicles feasibility studies (IDP6)	1,175

*\*Note that we often receive co-funding from other organisations and this is included in the above figures. For SBRI we may deliver the competition but not fund the contracts. For EU competitions we manage Eurostars but not others. In 2010-11 we received £37.9m in co-funding from other organisations compared to £32.6m in 2009-10.*

## Partnership working

The large-scale demonstrators were achieved through working with our partners. Partnership working is at the heart of everything we do. Over the year we have led or played a significant part in many collaborative activities to drive innovation. These included work to establish the Stratified Medicine Innovation Platform, the setting up of two new innovation and knowledge centres (IKCs) and the establishment of the International Space Innovation Centre at Harwell.

### Stratified medicine

We have brought together a group of national organisations to collaborate on an unprecedented scale in the field of stratified medicine – the development of treatments that can more precisely target disease and in specific patients. The benefits are often described as ‘the right therapy, for the right patient, in the right dose, at the right time’. The Stratified Medicine Innovation Platform is a partnership involving us, Medical Research Council, Department of Health, Scottish Government health directorates, National Institute for Health and Clinical Excellence, Cancer Research UK and Arthritis Research UK. This will result in a collective investment of around £200m in innovative technological R&D on topics such as improved tumour profiling and treatment in cancer, accelerating the identification, validation and adoption of biomarkers, and in the uptake of medicine and companion diagnostics in the NHS.

### Two new research centres

Funding of £20m was announced in October 2010 for two new research centres in the UK, jointly funded by us and the Engineering and Physical Sciences Research Council (EPSRC).

### Working together in space

We manage satellite telecoms and navigation innovation delivered through the European Space Agency on behalf of the UK Space Agency, this programme covers an investment of about £50m.

November 2010 saw the launch of Hylas-1, the first satellite created to deliver broadband services. This was a project that we supported through our EUR12m subscription to the European Space Agency.

We also helped fund the TechDemoSat-1 project being led by Surrey Satellite Technologies, to function as an orbital testbed and showcase for the UK’s most promising space technology.

During the year we worked with industry, academia and government to help establish the International Space Innovation Centre which finally opened and was established on the Harwell Oxford campus on 1 April 2011.

### Aligning our work with partners

Working with our public sector partners plays a big part in ensuring that we can invest strategically. During the 2008-11 spending period the research councils worked with us to align a minimum of £120m of their budget in collaborative and complementary activities with Technology Strategy Board activities (as specified in the Sainsbury Review). In the event, this target was exceeded by more than 90%, with the collective figure reaching over £230m.

The research councils also provided co-funding to our competitions of £3.7m in 2010-11 (compared to £4.4m in 2009-10).

## **Creating collaborations and removing barriers to innovation**

Our first few years have confirmed the importance of connections and collaboration in accelerating the pace of innovation.

### Knowledge Transfer Networks

The Knowledge Transfer Networks (KTNs) are a valuable resource for innovative businesses in specific sectors or technology areas. During the year we completed work to optimise the KTNs and align them with our priority areas. The work was completed with the merger of the Digital Systems KTN and Digital Communications KTN to form the ICT KTN on 1 April 2011.

### Using the power of \_connect

During the year the **\_connect** online platform – the new home of the KTNs – was further developed.

**\_connect** was formally launched in April 2010 and, as of June 2011, had a total of 35,000 registered users. Participants come from a broad cross-section of industry to share ideas and transfer knowledge. In January 2011 we launched the competition community space so that any interested parties can discuss competitions, find partners, and talk to our lead technologists.

Analysis of the **\_connect** site highlights the extent of the diversification of contacts made through **\_connect** and the extent of member involvement. In 2009, only 8% of members belonged to more than one subject area; whereas now almost 40% of members are engaged in this way, making connections beyond their own areas of expertise. This is one of the key ways in which we believe innovation can be encouraged – by people networking and partnering outside their own industry or sector – opening themselves up to new ideas.

### Knowledge Transfer Partnerships

Knowledge Transfer Partnerships (KTPs) continue to prove their place in a challenging business environment and are more popular than ever, with businesses seeking to drive strategic change and deliver impact that goes beyond the life of the individual projects. A record number of new partnership proposals were submitted during the year – an increase of 32% on the previous year.

Our focus now is on quality – to provide the greatest benefits for all partners. We have also worked to increase the number of funding partners involved; the Medical Research Council has recently become a sponsoring body.

At the year-end, the portfolio comprised 1,234 individual projects with SMEs making up 70% of project partners, highlighting the programme's effectiveness in providing an injection of specialist knowledge into smaller companies.

## **International work**

We have helped 89 UK companies to collaborate with 51 non-UK higher education institutions. The Technology Strategy Board is supporting the participation of the research sector and industry in joint EU programmes, including the Ambient Assisted Living, ARTEMIS, Eurostars, ENIAC and ERANET programmes. Through these collaborative projects UK industry is expanding the research base and moving into potential markets for exporting goods and services.

## Eurostars

Eurostars stimulates SMEs to lead international collaborative research and innovation projects by providing access to support and funding. It is a joint initiative between EUREKA and the EU Seventh Framework Programme for Research and Technological Development (FP7). This is an ongoing programme and since 2008 we have invested £7.9m, supporting 76 SMEs in 60 projects with a total project value of £67m.

## First MOU with a non-UK body

The Technology Strategy Board is expanding links with key countries and organisations in Europe. There is a targeted approach to developing links with other European government and non-government organisations with excellence in research and industry capabilities. The first Memorandum of Understanding is with Innovation Norway.

## ERANET membership

The ERANET scheme is one of the tools of FP7 to support the coordination of non-EU research programmes.

## Missions

Since early 2008 we have sponsored competitions to identify and support the best fast-growing tech companies in the UK in specific sectors, and then support them on international missions to seek innovation partners. Working closely with UK Trade & Investment we hold competitions for companies to win the opportunity to visit the US to meet potential investors, partners, mentors and customers. During 2010-11 we took part in two missions to San Francisco; Future Health Mission and Webmission.

## **Working better**

### Competitions management

This was our first year of running the competitions administration and management process in-house and coincidentally reflected a big jump in the number of competitions we have launched. In 2010-11 we opened 57 competitions compared to 39 in 2009-10. At the same time we have been managing a broader range of the types of competition that we run to support innovation.

The number of applications for collaborative R&D funding rose by around 7% year-on-year with the success rate for applicants rising from 15.5% to 19.9%. The average size of grant was £181k compared with £330k in 2009-10 reflecting our focus on supporting more smaller companies, particularly through the more accessible feasibility studies route.

### Improving claims processes

In the latter part of 2010-11 we began to implement a new web-based grants claims system to replace the previous system. \_connect Grants allows individual project participants to submit their claims for review online as soon as they are ready to do so, independently of the other consortium members. It has also enabled eased cashflow for participants and reduced the levels of administration. All new projects are registered to use the new system immediately.

## Collaborative R&D evaluation

During the year we commissioned consultants PACEC to conduct research into the economic impact, wider benefits, and lessons learned from collaborative R&D projects. The study found that the gross value added (GVA) to the economy generated by the projects was estimated at £6.71 per £1 of government funding for the whole programme. The report was published in September 2011.

## **The future**

Innovation has a critical part to play in ensuring the UK economy grows over the next few years. With funding of around £300m per year, we have ambitious plans to stimulate that innovation.

Setting up the new network of technology and innovation centres is one of our key commitments. They will help to harness this country's technical strengths and make us a global leader in some of the key areas of future growth, benefitting everyone working in those fields.

Our other key commitments are: creating a co-ordinated package of support for SMEs; continuing to focus on developing the role of government as a lead customer; making public procurement a force for innovation; more investment in large-scale demonstrator projects such as the DALLAS programme; focusing on the challenge of enabling people to live independently for longer; and finding new ways to bring people with ideas and resources together.

We will also be working to implement our new strategy, Concept to Commercialisation, which supports the Government's ambitions on growth. It aims to help business navigate the difficult territory after an idea or concept has been initially developed, but before it can enter the market and be fully commercialised. Our Delivery Plan 2011-12 outlines the full strategy and vision in detail.

We are convinced that despite the harsh economic climate, UK companies have the ability to continue to lead the world in many areas of technology development and innovation – and that they can benefit from the global market opportunities created by the great challenges of our time.

We will continue to work with UK business and all our partners to drive the pace of innovation and help to generate growth.



Iain G Gray  
Chief Executive

Further information about the Technology Strategy Board's activities over this period can be found in the *Highlights of the Year*, available at [www.innovateuk.org](http://www.innovateuk.org).



## **CORPORATE ACTIVITIES**

### **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 an 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's purpose, expressed in its vision, is to promote, accelerate and invest in technology-enabled innovation so that the UK can be a global leader in innovation and a magnet for innovative businesses, who can apply technology rapidly, effectively and sustainably to create wealth and enhance quality of life.

### **Programme objectives**

To achieve its aims, the Technology Strategy Board has executive responsibility for delivering programmes of government financial support to encourage business investment in and use of technology across all sectors of the UK economy. These programmes include continuing support for collaborative research and development for business investment, and the use of technology, in both manufacturing and service industries. The aim is:

- to achieve increased innovation in sectors where the UK economy is strong
- to develop new sectors, through the creation and growth of research and development, of intensive small and medium-sized enterprises
- to support the use of technology in areas important to the future of existing and emerging sectors in the UK.

The Technology Strategy Board also supports Knowledge Transfer Networks. These are national over-arching networks that aim to improve the UK's innovation performance by increasing the breadth and depth of knowledge transfer of technology into UK businesses.

In its advisory role, the Technology Strategy Board alerts the Government to areas where barriers exist to the exploitation of new technologies.

The Technology Strategy Board works closely with government departments and agencies, with the devolved administrations, the regional development agencies and the research councils. It collaborates with these bodies and businesses on technological developments and innovations of importance to the UK and to government procurement.



The Technology Strategy Board will also take on the responsibility for delivering some new government commitments in 2011-12 which have been planned in this fiscal year in order to achieve the goals in 2011-12. These relate to the implementation of the Technology & Innovation Centre programme, and the transfer of the Regional Development Agency programmes into the Technology Strategy Board, in particular the responsibility for delivering the Grant for Research and Development programme.

During this fiscal year we have also ended our responsibility for the UK European Space Agency contributions, which moved out to the newly formed UK Space Agency effective from the 1 April 2011.

## **Corporate governance**

### Audit Committee

The Audit Committee, comprising three members of the Governing Board, meets at least three times a year to review internal and external audit matters and the Technology Strategy Board's accounts. Its terms of reference include monitoring of the application of internal controls and oversight of the Technology Strategy Board's response to the corporate governance initiative and risk management. The Audit Committee receives and considers reports from both internal and external auditors. Minutes of the Audit Committee are forwarded to all members of the Governing Board. During 2010-11, the Committee undertook a formalised meeting structure and maintained and improved its knowledge through continuing education.

### Chief Executive

Iain G Gray was Chief Executive throughout the period covered by these financial statements.

### Executive Board

The following persons were executive directors during the year 2010-11 and up to the date of approval of these accounts unless otherwise indicated:

Dr David Bott	Director of Innovation Programmes
Graham Hutchins	Director of Operations & Services
Dr Allyson Reed	Director of Strategy & Communications
David Way	Director of Knowledge Exchange & Special Projects
Mark Glover	Director of Business Planning (Acting)

## Governing Board members

The following persons were members of the Technology Strategy Board's Governing Board during the year 2010-11 and up to the date of approval of these accounts unless otherwise indicated:

### **Chair**

Dr Graham Spittle CBE	(to 30 November 2011)
Phil Smith	(from 1 December 2011)

### **Chief Executive**

Iain G Gray

### **Members – Whole Year**

Dr John Brown FRSE	
Eur Ing Nick Buckland OBE	(to 30 June 2011)
Dr Joseph Feczko	(to 30 June 2011)
Anne Glover CBE	
Dr David Grant CBE	
Jonathan Kestenbaum	
Andrew Milligan	
Prof Christopher Snowden FRS	
Dr Stewart Davies	
Sara Murray	

### **Members – Part Year**

Dr Graeme Armstrong	(to 20 June 2010)
Dr Jeremy Watson	(to 20 June 2010)

### **Members - in next financial year**

Ian Shott CBE	(from 1 August 2011)
Michael Carr	(from 1 August 2011)
Dr Robert Sorrell	(from 1 August 2011)
Colin Paynter	(from 1 August 2011)

Governing Board members are appointed by the Secretary of State of our sponsor department (the Department for Business, Innovation and Skills during the period covered by this report) 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. Appointments are made in accordance with the Code of the Commissioner for Public Appointments. Details of Governing Board members' interests are available by application to the Board Secretary.

## Auditors

The accounts of the Technology Strategy Board are audited by the Comptroller and Auditor General under the terms of paragraph 3(3) of Schedule 1 of the Science and Technology Act 1965. A fee of £140k is due for this service. There was no other auditor remuneration for non-audit work.

So far as the Accounting Officer is aware, there is no relevant audit information of which the auditors are unaware.

The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the auditors are aware of that information.

### Human resources management

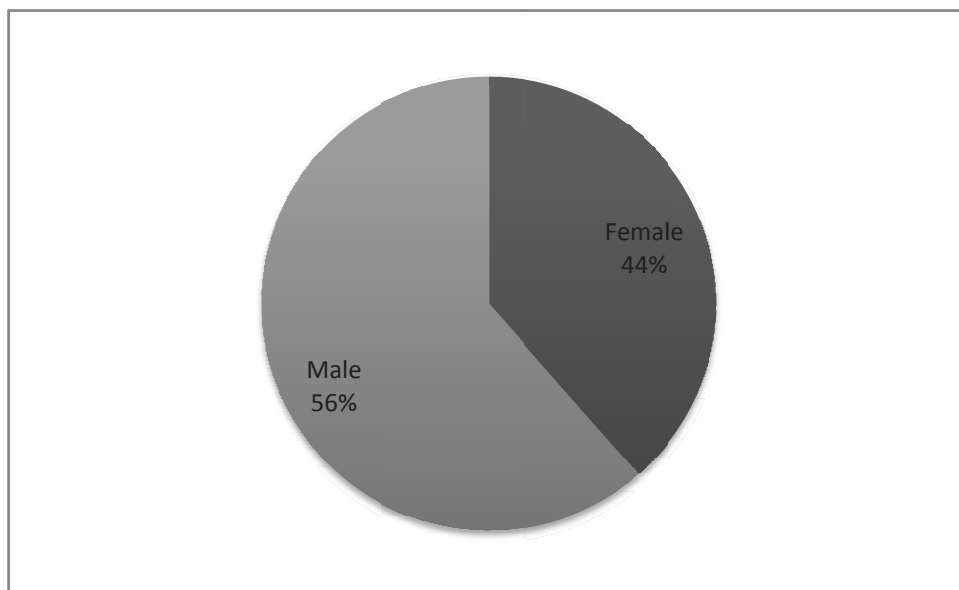
The following were the main objectives for human resources management in 2010-11:

- 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
- continue and develop effective staff consultation arrangements
- implement a reward strategy that must both encourage and support differing contractual arrangements for technology skills and at the same time the longer term retention of staff
- performance management - develop and implement a set of processes for establishing a shared understanding of what is to be achieved in the organisation which supports the management and development of colleagues in a way that increases the probability of personal and organisational goals being achieved in the short and longer term
- develop capability – ensuring that the Technology Strategy Board management and staff have appropriate skills/experience to deliver high performance and the business objectives.

### **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 2011 the gender split for all staff employed at the Technology Strategy Board was as follows:



## Employee involvement

Information is provided to employees through the Human Resources Manual, office notices, e-mail and the intranet. Consultation with employees takes place through meetings with 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 Senior Management Team and to budget holders. Successful Spending Review bids and budgetary information are detailed in e-mails, press notices and the Annual report, all of which have a wide circulation.

All staff receive a briefing on, and personal copies of, the Technology Strategy Board's corporate strategy *Connect and Catalyse* and the associated 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.

## 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 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 was undertaken by Health and Safety Representatives in November 2008 and April 2009 and continues to be current. The Technology Strategy Board continues to monitor health and safety risks and take appropriate action.

## Sickness and absence

Calculation of the Technology Strategy Board sickness/absence rates is as follows, 2010-11 is shown in brackets. It should be noted that the year reported included a number of reported cases of swine flu.

<b>2010-11 (Prior Year 2009-10)</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	0.38%	(0.63 %)	1.2	(1.6)
Excluding 2 staff (3 staff in 2009-10) on long-term sick leave	0.31%	(0.25 %)	1.0	(0.6)

## **Reporting of personal data incidents**

Records are kept of personal data incidents. No members of staff had a laptop stolen (2009-10: three); however, in all cases there was low risk of loss of personal data as the laptop was encrypted. Eleven smartphones were lost (2009-10: nine), however, again there was a low risk of loss of personal data as all smartphones 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 2010-11.

## **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 undertaken steps to ensure that it complies with the standard laid down by the Data Handling Review. A review of the data held was undertaken, along with a risk assessment. In relation to personal data it was identified that the Technology Strategy Board did not carry a great risk as it does not hold much personal data. An ongoing project has:

- encrypted all laptops and mobile phones. New laptops and mobile phones are encrypted prior to delivery
- included the requirements identified in the Data Handling Review as fundamental requirements within the scope of the systems development project that commenced in 2008-09
- completed the development of an Information Assurance policy in July 2009, communicated it to all staff
- completed training in line with Cabinet Office guidelines using National School of Government Protecting Information on-line training, to ensure that all staff are fully aware of their responsibilities under the Information Assurance policy. Annual recurrency training is undertaken each year in September.

The Technology Strategy Board has in place arrangements to monitor and assess its information risks and will continue to identify and address any weaknesses and ensure continuous improvements of its systems.

## **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 Note 3 as Programme Support Contracts. The system development referred to in the review of the year's activities, when complete, will affect the requirement for some of these contracts. Some of the contracts have already started to downsize as Technology Strategy Board engages directly with our clients to fulfil our objectives.

## **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 Technology Strategy Board's 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 2010-11, the Technology Strategy Board paid 93% (2009-10: 97%) of its undisputed invoices within the 30 day period. As at 31 March 2011, the creditor days outstanding amounted to 3 days of annualised purchases (2009-10: 3 days).

In November 2008, a new prompt payment target of 10 days was introduced for the public sector. In 2010-11, the Technology Strategy Board paid 73% (part of 2009-10: 74%) of its invoices within the 10 day period.

Both of the movements shown above reflect an increase in the control environment and an increase in the volumes being handled.

## SUSTAINABILITY AND SOCIAL RESPONSIBILITY

Our Governing Board has recognised the importance of taking sustainability into account at all levels in promoting our innovation agenda. We have published a sustainability statement and policy that sets out the Technology Strategy Board's position. In that we have adopted the 'triple bottom line' approach to this agenda that focuses on people, planet and profit.

In pursuit of this we have continued to refocus our programme of investments in business innovation towards recognising the importance of markets created by the need to move to a more sustainable social model.

Highlights in the last year include the Low carbon vehicles demonstrator programme; the Low impact buildings Retrofit for the future programme, further investment in wind and marine energy and the launch of the Sustainable Food and Agriculture Innovation Platform. These programmes are all focused on reducing the waste produced from our activities, or ensuring that we maximise the output of the activities we undertake.

We have started an ongoing discussion on how the Knowledge Transfer Networks can be used to communicate best practice and get the message out to innovative businesses that sustainable innovation can increase business competitiveness.

We have introduced new methodology in assessing grant applications in our collaborative R&D competitions to ensure that sustainability considerations are central to the assessment and outcome.

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, 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 £396.3m (2009-10: £341.8m).

### Technology grants expenditure and accruals

The increased funding contributed to a £77.0m increase in technology grants expenditure to £314.2m. 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.

### Operating costs

Average staff numbers in 2010-11, including interims and agency temps, increased by 19 to 135 in order to build up resource levels to deliver the ramping up of new and existing programmes and to improve the efficiency of operations. This resulted in staff costs increasing by £0.6m, or 6%, to £10.5m. Programme support contract costs, however, decreased by £5.6m, or 27%, to £15.2m. This decrease occurred in a period of significantly increased activity and was achieved through contract renegotiation with third party programme support providers and through the in-sourcing of core activities. The Technology Strategy Board will benefit from larger annualised savings in 2011-12 and onwards.

Other operating costs decreased by £2.2m, or 25%, to £6.4m, primarily due to the streamlining of operations and achieving target costings through improved efficiency.

### Pension liabilities

The accounting treatment of pension liabilities and details of the funding arrangements are set out in notes to the accounts 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 £343.4m (2009-10: £289.6m). In addition to this, £1.9m was spent in 2010-11 (2009-10: £5.5m) on developing an IT platform comprising a grant and competition management system as well as acting as a collaboration platform for KTNs, other industry groups and Technology Strategy Board technologists.

### Current liquidity

Cash held at 31 March 2011 was £32.8m (31 March 2010: £8.1m) and assets less liabilities were £129.9m (31 March 2010: £103.6m).

The higher cash balance at 31 March 2011 was a result of expected payments of grant claims for large projects not materialising at that date.



## Financing

Grant-in-Aid financing received during the year from BIS increased by £75.6m to £332.0m.

Non-BIS parliamentary funding for the year also increased by £5.4m to £37.8m. This represents an increase in a variety of cross-collaborative grants, which are managed and administered by the Technology Strategy Board.

Other income of £1.2m was received from the recharging of Knowledge Transfer Partnership management fees to the other co-funders (2009-10: £1.4m).

## Allocation and outturn

In the 2010-11 year, being the third year of the three-year Comprehensive Spending Review 2007 allocation, the budget increased by £57.9m to £387.2m. Included in the budget allocation was £25m of the Strategic Investment Fund initiative to accelerate technological innovation and £34.9m was transferred to accommodate responsibility for space funding.

Overall, the Technology Strategy Board recorded a £26,954,000 non usable and underspend against the budget allocation.

The following table gives a comparison of outturn against allocation:

	<b>Non-cash<sup>1</sup> £000</b>	<b>Resource £000</b>	<b>Capital £000</b>	<b>Total £000</b>
Total expenditure for the year <sup>2</sup>	492	395,783	-	396,275
Financing from other bodies <sup>3</sup>	-	(37,929)	-	(37,929)
Treatment of capital grants	-	(16,413)	16,413	-
Expenditure on non-current assets <sup>4</sup>	-	-	1,911	1,911
FY10-11 Outturn	492	341,441	18,324	360,257
FY10-11 Budget Allocation	-	368,008	19,203	387,211
Variances	<u>(492)</u>	<u>26,567</u>	<u>879</u>	<u>26,954</u>
<i>of which:</i>				
Non-usable underspend	<u>(492)</u>	<u>26,567</u>	<u>879</u>	<u>26,954</u>
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 net expenditure

<sup>3</sup> Taken from the statement of changes in taxpayers' equity

<sup>4</sup> Taken from the statement of cash flows

## Going concern

The net expenditure of £396.3m has been transferred to reserves. Total government funds at 31 March 2011 amounted to a deficit of £130.0m (31 March 2010: deficit of £103.6m). 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 (formerly the Department for Innovation, Universities and Skills, DIUS). 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 2011-12, 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 in June 2007. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

## **Risk**

The statement on internal control 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. The most significant factors underlying the performance and position of the Technology Strategy Board during the period under review are identified in the statement on internal control.



.....  
Iain G Gray  
Accounting Officer  
27<sup>th</sup> March 2012

## 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 Directors is assessed annually by the Chief Executive through the performance management process and approved by the Technology Strategy Board's Remuneration Committee. In the light of these assessments, performance-related pay is made in accordance with provisions of the Pay Remit approved by BIS. The remuneration of the Technology Strategy Board's Non-Executive Directors and Chairman is reviewed annually by BIS. Membership of the Technology Strategy Board's Remuneration Committee consisted of:

Graham Spittle (Chairman)

David Grant – (Non-Executive Director)

Jonathan Kestenbaum (from September 2009) - (Non-Executive Director)

Iain G Gray (Chief Executive).

The performance bonuses paid to the Chief Executive and three of the four Directors (David Bott has a service contract) are based on achievement of individual and corporate objectives, agreed at the beginning of the performance cycle. Performance bonus for the Chief Executive is up to 40% on base salary, for other Directors up to 20%.

### Contractual policy

The Chief Executive is contracted for the period 31 October 2007 to 30 October 2012. The Director of Innovation Programmes is contracted for the period 1 July 2007 to 30 June 2012. All other Directors are permanent employees of the Technology Strategy Board. The Chief Executive is subject to a notice period of 12 months; all Directors are subject to a notice period of six months.

Non-Executive Directors 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. The previous Chairman's, Dr Graham Spittle, tenure came to an end on the 30<sup>th</sup> November 2011. The new Chairman, Mr Phillip Smith, has been appointed effective from the 1<sup>st</sup> December 2011.

## Details of 2010-11 remuneration for the Technology Strategy Board Chief Executive and Directors

### Remuneration of senior employees

The combined code on corporate governance 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 Combined 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.

Officials	2010-11			2009-10		
	£'000			£'000		
	Salary and allowances banded for the period in post	Performance Pay	Benefits in Kind (cash equivalent)	Salary and allowances banded for the period in post	Performance Pay	Benefits in Kind (cash equivalent)
Mr Iain Gray Chief Executive	210 - 215	45 - 50	-	205 - 210	45 - 50	-
Mr Graham Hutchins Director	115 - 120	15 - 20	-	115 - 120	15 - 20	-
Dr Allyson Reed Director	115 - 120	15 - 20	-	115 - 120	15 - 20	-
Mr David Way Director	90 - 95	15 - 20	-	90 - 95	10 - 15	-
Mr Mark Glover* Director (From 1 March 2010)	5 - 10 (100 - 105 full year equivalent)	15 - 20	-	N/A	N/A	N/A
Mr David Bott** Director	See note		-	See note		

*\*Although Mr. Mark Glover was in post in 2009-10 and 2010-11, he was not formally appointed as a director until 1st March 2011. Salary and allowances disclosure only cover the time he was a director with full year equivalent shown in brackets. Performance pay disclosure covers the period 2010-11.*

*\*\* Mr. David Bott is contracted for his services as a Director. The accounts include charges of £265,250 for his services (2009-10: £238,660).*

	2010-11 £'000	2009-10 £'000
<b>The aggregate of salary costs, bonus and benefits in kind for senior employees:</b>	707	660

### 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. It does not include the charges for David Bott's services as a Director. These are included in the charges for agency and interim staff (Note 2b).

### 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 Directors</b>	<b>Total of accrued pension and related lump sum at age 60 as at 31 March 2011 or at leaving date</b>	<b>Real increase / (decrease) of pension and related lump sum</b>	<b>Cash Equivalent Transfer Value (CETV) at 31 March 2010</b>	<b>CETV at 31 March 2011</b>	<b>Real increase / (decrease) in CETV*</b>
£'000					
Mr Iain Gray Chief Executive	15 - 20	2.5 - 5	138	213	52
Mr Graham Hutchins Director	5 - 10	0 - 2.5	69	95	12
Dr Allyson Reed Director	5 - 10	0 - 2.5	89	133	30
Mr David Way Director	50 - 55	0 - 2.5	896	1,011	(2)
Mr Mark Glover Director (From 1 March 2010)	0 - 5	0 - 2.5	47	22	19
Mr David Bott Director	N/A	N/A	N/A	N/A	N/A

*\* Where this figure is negative, taking into account inflation, the CETV funded by the employer has decreased in real terms.*

### 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 2010 represents the value at their start date and the CETV at 31 March 2011 represents the value as at their end date.

The actuarial factors used to calculate CETVs were changed in 2010-11. For consistency, the CETVs as at 31 March 2010 and 31 March 2011 have both been calculated using the new factors. The CETV at 31 March 2010 therefore differs from the corresponding figure in the 2009-10 annual report and accounts which was calculated using the previous factors.

## Remuneration of Governing Board members

The standard honorarium paid to Governing Board members amounted to £9,180 (2009-10: £9,180 pa). The emoluments of the Chairman, Dr Graham Spittle, were £15,720 (2009-10: £15,720 pa). 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:

	2010-11 £000	2009-10 £'000
<b>Governing Board Members' Annual Honoraria</b>		
Dr Graeme Armstrong	0 - 5	5 - 10
Dr John Brown FRSE	5 - 10	5 - 10
Eur Ing Nick Buckland OBE	5 - 10	5 - 10
Dr Stewart Davies	5 - 10	5 - 10
Dr Joseph Feczko	5 - 10	5 - 10
Anne Glover CBE	5 - 10	5 - 10
Dr David Grant CBE	5 - 10	5 - 10
Jonathan Kestenbaum	5 - 10	5 - 10
Andrew Milligan	-	-
Sara Murray	5 - 10	5 - 10
Prof Christopher Snowden FRS	5 - 10	5 - 10
Dr Jeremy Watson	0 - 5	5 - 10

Andrew Milligan has elected to forego his honorarium.

Dr. Graeme Armstrong and Dr. Jeremy Watson left office in June 2010.



Iain G Gray  
Accounting Officer  
27<sup>th</sup> March 2012

## 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 income and expenditure, recognised gains and losses 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 sponsor department (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*.



## STATEMENT ON INTERNAL CONTROL

### Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of the Technology Strategy Board's policies, aims and objectives, whilst safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*.

As Accounting Officer, I take ultimate responsibility for the implementation and maintenance of the risk management process. I am advised and supported by the Governing Board, Audit Committee and Executive Board, who have discussed the internal controls. The Governing Board comprises external independent members and the Chief Executive. Senior members of the Executive Board are also in attendance.

I also undertake reviews of activity, performance and consequently risk with the Director of Innovation at BIS on a monthly basis; and the Director General for the Knowledge and Innovation Group at BIS on a quarterly basis. I am also required to provide information for/input to the Minister for Innovation at BIS when required.

In addition detailed reviews are undertaken with the Technology Strategy Board sponsorship team, within the BIS Innovation Directorate, on a bi-monthly basis, at Director level.

### The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of the Technology Strategy Board's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them effectively, efficiently and economically.

The system of internal control has been in place in the Technology Strategy Board for the year ended 31 March 2011 and up to the date of approval of the *Annual Report and Accounts*, and accords with Treasury guidance.

### Capacity to handle risk

The Technology Strategy Board continues to undergo a good deal of development both in terms of organisational identity and in the policies and procedures that it is putting in place. Policies and internal controls have continued to be reviewed, developed and embedded.

The Executive Board continues to take a lead in embedding risk management in the organisation. The Executive Board has identified the key internal and external risks facing the Technology Strategy Board and the completion of its objectives, and reviews progress in managing these risks regularly. The internal control process ensures that all risk procedures and activities are reviewed by the management and staff delegated to do so. Delegated members of staff are aware of their responsibility to embed risk management in their activities.

Where the need for formal training has been identified, further training courses in risk management techniques are available. External experts have been involved in the development of the risk management process and they remain available for further consultation if required.

As part of the policy of allocating risk management to senior management, delegation letters are in place setting out responsibilities and giving policy guidance. These detail the individual's accountability and reiterate their corporate governance as well as their primary personal responsibilities.

### **The risk and control framework**

The risk management framework operates as part of the business planning process through the initial identification of risks that threaten achievement of the Technology Strategy Board's objectives. These risks are then evaluated in terms of impact and probability. Consideration is then given to the actions required to effectively manage each risk. This process establishes the level of residual risk to which the Technology Strategy Board is exposed, which is monitored over time. Ownership for each risk is assigned to a named individual.

Risk appetite is determined by the nature of the risk. The Technology Strategy Board has a high tolerance for risk associated with research and development work, but a much lower tolerance for operational risks.

A risk register provides the basis for continual review of risk priorities. The Executive Board agreed appropriate action on any changes necessary following the introduction of the risk policy. The Executive Board meets monthly and reviews the risk register, agrees appropriate action on any changes necessary, and ensures that recommendations have been implemented.

From the Technology Strategy Board's high-level risk register, the following are identified as being business critical:

- additional responsibilities and lack of resources leads to Technology Strategy Board diminishing its reputation for delivery of major projects
- the loss of key individuals within the organisation leads to an inability to deliver on promises made, which impacts on reputation
- the inability to deliver leads to a loss of support from UK Business, and a subsequent loss of confidence from UK Government.

The Executive Board reports on progress to the Governing Board through the Chief Executive's report.

A major mechanism for managing risk is the review process covering the Technology Strategy Board's core business of awarding grants. The application procedure is contained in public guidance, amplified at briefing events. The Technology Strategy Board contracts independent assessors to review applications. They meet, reach consensus and produce a ranked, ordered list of applications to be funded. A funding panel consisting of the Technology Strategy Board, and other relevant funding agencies meets to agree which projects are funded but does not change the ranked, ordered list. The funding panel is co-chaired by the Director of Innovation Programmes and the Director of Operations & Services, who have delegated authority for formal approval of grant offers.

The Technology Strategy Board continues to mitigate the risks associated with new systems and procedures by wherever possible using research councils' existing systems and processes through service level agreements.

During 2010-11 the Technology Strategy Board undertook the development of its own IT systems for business critical activities, the aim being to allow us to get closer to our clients, whilst at the same reducing outsourced costs. This programme itself has brought with it a number of risks which have been mitigated successfully to date.

Part of the control framework is provided via the research councils' Internal Audit Service (RCIAS), which provides internal audit services to the research councils. The activities of the RCIAS in respect of the Technology Strategy Board are reviewed by the Audit Committee and the scope of the internal audit plan for the coming year is agreed. With this overarching view of audit activities, the Audit Committee co-ordinates the evaluation and review of the evidence supporting the Chief Executive's assurance statement on internal control. In the year to 31 March 2011, RCIAS carried out an agreed programme of assurance work. The Technology Strategy Board received a positive reasonable assurance rating for 2010-11 from the Head of Internal Audit.

In 2010-11, steps have been taken to deal with the following internal control issues:

- we have continued work on a finance manual, updating policy and procedures to best practice
- the strategic business planning processes have been reviewed and improved, utilising the development of high-level impact metrics to assist in decision-making.
- the development of the Technology Strategy Board's IT systems was completed in the first half of 2010-11, and a significant activity was undertaken to get all of the live projects onto the system where possible, or practical in the second half of 2010-11. An internal audit review of grant claims and monitoring was completed
- information assurance: a review by the Director of Operations & Services concluded that the Technology Strategy Board has in place arrangements to monitor and assess its information risks and will continue to identify and address any weaknesses and ensure continuous improvement of its systems. A fuller assessment of the information risk is contained in the statement on the Management of information risk in the Management commentary of this report
- risk management procedures have improved with the development of more detailed risk register, regular review, and a further internal audit review has been undertaken.
- during 2010-11, the Technology Strategy Board started to embed risk management into control systems. This commenced with the review of directorate risk registers (sub-sets of the Technology Strategy Board's corporate risk register)
- whilst the review of sub-sets of the corporate risk register has been a step forward it is felt that a more disciplined approach is required, which is more inclusive of all members of the team. We have also identified the need for the risk management process to be transparent and auditable
- the Technology Strategy Board has completed the development of an objectives cascade system, in which risks can be linked to the objectives. This allows for objectives to be cascaded from the delivery plan down to each individual employee. The employee can then identify key risks associated with each objective and these can be reviewed and reported on to inform the corporate risk register. This went live in the first quarter 2010-11.

## Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within the Technology Strategy Board, who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Governing Board, the Audit Committee and the Executive Board. A plan to address weaknesses and ensure continuous improvement of the system is in place.

My review of the effectiveness of the system of internal control is informed by:

- the Governing Board which meets bi-monthly in order to consider the Technology Strategy Board's plans, strategic direction, performance reports and corporate governance issues
- Directors' 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 senior executives responsible for the development and maintenance of the Technology Strategy Board internal controls framework
- regular reports by the research councils' Internal Audit Service including the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Technology Strategy Board's systems of internal control
- the Audit Committee which meets at least three times a year to discuss all aspects of corporate governance, including risk management and internal control. The Chairman of the Committee reports to the Governing Board on the work and findings of the committee. The minutes of Audit Committee meetings are circulated to the Governing Board
- Directors' and senior managers' meetings which occur on a monthly basis to oversee the implementation of the Technology Strategy Board's plans
- 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 grant recipients.

## Internal control issues

In completing my review I accept the need to recognise the following issues, as well as the stage of development of the related controls:

- the development of our policies and procedures will continue as we develop, grow and undertake new activities
- the development of a robust grant accrual accounting methodology to ensure that we achieve a timely submission of our accounts. This will include the enhancement of the roles of Technology Strategy Board's Monitoring Lead Officers and Monitoring Officers so that they improve the speed at which Grant Recipients submit claims, and provide review and challenge of forecasts to ensure their accuracy
- the development of monthly management accounts to include accruals of grant claims incurred, but not received or processed so as to ensure better ongoing financial reporting
- we remain aware of the potential change in the political landscape and the fact that it may put at risk previously agreed funding of projects, from other government departments. We continue to monitor the likelihood and potential impact.

The Technology Strategy Board provides grants to fund research and development activities in UK companies. The advanced nature of the projects we fund leads to projects that are inherently changeable in their activity such as the costs they incur, and consequently the rate at which we provide grants over the life of a project.

We have tried to mitigate the changeable nature of the grant by accounting for grant costs through the use of spend profiles, however these have proven to be insufficiently robust at a detailed level to allow us to produce accounts on a sufficiently timely basis.

We also recognise that we have been through a period of change in the last two years while developing our IT systems, and then bringing projects up to date on the data we hold and ensuring that the status of projects are accurate.

The above issues have led to the extended time taken to ensure that the grant accruals we show in our accounts are sufficiently accurate.

To address the above issues we are contacting project participants to request that they submit claims in a more timely manner, and that they submit accurate forecasts. We are asking our Monitoring Officers to review the forecasts as well as the claims and check they are reasonable. By completing these tasks we will be able to move to using the project participants' forecasts of their costs, and subsequently grants, as the basis for accruing in the future.



...

Iain G Gray  
Accounting Officer  
27<sup>th</sup> March 2012

## **THE CERTIFICATE 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 2011 under the Science and Technology Act 1965. These comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Statement of Cash Flows, the Statement of 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 Responsibilities of the Technology Strategy Board and of its Chief Executive, 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 to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

### **Opinion on Regularity**

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions 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 2011 and of its 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 there under.

## **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 issued under the Science and Technology Act 1965; and
- the information given in the Corporate activities and Financial highlights sections of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

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

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

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

My report explaining the reasons for the delay in the production and audit of these financial statements are on pages 37 to 40.

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

4<sup>th</sup> April 2012



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

### **Background**

1. The Science and Technology Act 1965, which applies to the Technology Strategy Board (TSB), requires that Accounts for the financial year ended 31 March should be submitted to the Comptroller and Auditor General on or before the 30 November each year.
2. Final Accounts for 2010-11, signed by the Accounting Officer, were therefore due to be submitted no later than 30 November 2011. Although initial draft accounts were presented for my audit in October 2011, these contained material inaccuracies in the grant accruals balance. The TSB undertook further work to improve the accuracy of the accruals balance and the accounts were signed by the Accounting Officer on 27 March 2012.
3. My Report explains the reason for this delay. My opinion on the TSB's Annual Report and Accounts is not qualified in this respect.

### **Difficulties in producing a sufficiently accurate grant accruals balance**

4. Under the applicable financial reporting standards, the TSB's Accounts are required to record liabilities due to third parties in the Statement of Financial Position at each financial year end. The TSB pay a number of types of grants to a wide variety of parties, with total expenditure in 2010-11 of £397.6m. Due to the significant delay between eligible expenditure being incurred and a grant claim being received, processed and paid, a large amount of grant expenditure is accrued at the year-end (£155.5m at 31 March 2011).
5. The Accounting Officer is required to produce a reasonable estimate of the liabilities due for grant expenditure not yet paid if the financial statements are to present a true and fair view. The TSB are liable for a proportion of grant recipients' eligible expenditure as it is incurred and paid by the grant recipient. Therefore, the estimated part of the grant accrual is difficult to forecast at the reporting date.
6. My staff sought to audit the reported accruals balance when draft accounts were initially presented for my audit in October 2011. However, our work identified a significant level of error in the grant accrual presented for audit. As for the 2009-10 accounts, which I also reported on due to the delay in submitting final accounts, this was due to errors in the calculation of the estimated part of the accrual as well as incomplete and inaccurate management information used for this calculation. I was unable to obtain sufficient appropriate evidence over the reported balance until now.



7. The TSB completed additional work from May 2010 to finalise the 2009-10 accounts in February 2012 by improving the information supporting the estimated part of the accrual. This also enabled the TSB to present an initial draft of the 2010-11 accounts in October 2011 containing a lower level of error compared to the initial draft 2009-10 accounts, albeit that this was still material. The work completed has meant that there has been a shorter period of time between presenting an initial draft 2010-11 account for audit and the finalisation of these accounts. The necessary adjustments have been made and the amount accrued at 31 March 2011 is materially accurate.

#### **Action Taken**

8. The TSB have been working to accelerate the grant claim process and this should help increase the accuracy of the grant accrual calculation.
9. Progress continues to be made and a greater impact on the robustness and timeliness of the presentation of Accounts is expected for the 2011-12 financial statements. However the TSB will need to ensure that sufficient procedures are put in place to confirm the reasonableness of the grant accrual estimate and the validity of the management information it is based on.

Amyas C E Morse  
Comptroller and Auditor General  
National Audit Office  
157-197 Buckingham Palace Road  
Victoria,  
London,  
SW1W 9SP

4 April 2012

**STATEMENT OF COMPREHENSIVE NET EXPENDITURE**  
**for the year ended 31 March 2011**

<b>Expenditure</b>		<b>2010-11</b>	<b>2009-10</b>
	<b>Notes</b>	<b>£000</b>	<b>(Restated)</b>
		<b>£000</b>	<b>£000</b>
Staff Costs	2	10,540	9,960
Administrative support contracts	3	15,208	20,802
Other operating costs	4	6,441	8,606
Technology Grants	5	314,199	237,213
International Collaboration	6	50,678	66,455
Depreciation & Amortisation	9, 10	492	97
<b>Total Operating Expenditure</b>		<b>397,558</b>	<b>343,133</b>
Operating income	8	(1,283)	(1,371)
<b>Total Expenditure for the year</b>		<b>396,275</b>	<b>341,762</b>
<b>Net Expenditure</b>		<b>396,275</b>	<b>341,762</b>

All activities are continuing.

There are no other gains and losses other than net expenditure for the year.

The notes on pages 41 to 61 form part of these accounts

# STATEMENT OF FINANCIAL POSITION

## as at 31 March 2011

		31 March 2011 £000	31 March 2010 £000
<b>Assets</b>	Notes		
<b>Non-current assets:</b>			
Property, plant and equipment	9	386	461
Intangible assets	10	7,417	5,923
<b>Total non-current assets</b>		<b>7,803</b>	<b>6,384</b>
<b>Current assets:</b>			
Trade and other receivables	11	10,755	10,357
Cash and cash equivalents	12	32,792	8,129
<b>Total current assets</b>		<b>43,547</b>	<b>18,486</b>
<b>Total assets</b>		<b>51,350</b>	<b>24,870</b>
<b>Current liabilities</b>			
Trade and other payables	13	(19,197)	(27,925)
Accruals	13	(162,124)	(100,572)
<b>Total current liabilities</b>		<b>(181,321)</b>	<b>(128,497)</b>
<b>Non-current assets less net current liabilities</b>		<b>(129,971)</b>	<b>(103,627)</b>
<b>Assets less liabilities</b>		<b>(129,971)</b>	<b>(103,627)</b>
<b>Taxpayers' equity</b>			
Government funds		129,971	103,627
		<b>129,971</b>	<b>103,627</b>



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Iain G Gray

Accounting Officer

27<sup>th</sup> March 2012

The notes on pages 41 to 61 form part of these accounts

# STATEMENT OF CASH FLOWS

## for the year ended 31 March 2011

	Notes	2010-11 £000	2010-11 £000	2009-10 £000	2009-10 £000
<b>Cash flows from operating activities</b>					
Total expenditure for the year		(396,275)		(341,762)	
Adjusted for:					
Depreciation & Amortisation	9,10	492		97	
Decrease / (Increase) in receivables	11	(398)		13,779	
(Decrease) / Increase in payables	13	52,824		38,319	
<b>Net cash outflows from operating activities</b>			(343,357)		(289,567)
<b>Cash flows from investing activities</b>					
Purchase of intangible assets	10	(1,902)		(5,407)	
Purchase of property, plant and equipment	9	(9)		(118)	
<b>Net cash outflows from investing activities</b>			(1,911)		(5,525)
<b>Cash flows from financing activities</b>					
Funding from the EU		163		195	
Funding from UK partners		37,768		32,356	
Grant-in-aid received		332,000		256,400	
<b>Net cash inflows from financing activities</b>			369,931		288,951
Net (decrease) / increase in cash and cash equivalents			24,663		(6,141)
Cash and cash equivalents at 1 April			8,129		14,270
Cash and cash equivalents at 31 March			32,792		8,129

The notes on pages 41 to 61 form part of these accounts

# STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

## for the year ended 31 March 2011

	Notes	Income and Expenditure Reserve £000	Total Reserves £000
<b>Balance at 1 April 2009</b>		(50,816)	(50,816)
Changes in taxpayers Equity 2009-10			
Retained deficit		(341,762)	(341,762)
Funding from the EU		195	195
Funding from UK partners		32,356	32,356
<b>Total recognised income and expense for 2009-10</b>		(309,211)	(309,211)
Grant-in-aid		256,400	256,400
<b>Balance at 31 March 2010</b>		<b>(103,627)</b>	<b>(103,627)</b>
<b>Balance at 1 April 2010</b>		(103,627)	(103,627)
Changes in taxpayers Equity 2010-11			
Retained deficit		(396,275)	(396,275)
Funding from the EU		163	163
Funding from UK Partners		37,768	37,768
<b>Total recognised income and expense for 2010-11</b>		(358,344)	(358,344)
Grant-in-aid		332,000	332,000
<b>Balance at 31 March 2011</b>		<b>(129,971)</b>	<b>(129,971)</b>

The notes on pages 41 to 61 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 2010-11 *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 2010-11 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 Income and Expenditure Reserve 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.

#### Adoption of Standards and Changes in Policy 2010-11

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

All International Financial Reporting Standards, Interpretations and Amendments to published standards, effective at 31 March 2011, have been adopted in these financial statements, taking into account the specific interpretations and adaptations included within the FReM. A change in accounting policy has occurred regarding cost of capital. This is explained in note 1(k).

IAS 7 Statements of Cash Flows (effective for periods beginning on or after 1 January 2010) – this requires that only expenditure which results in a recognised asset in the Statement of Financial Position can be classified within investing activities. Technology Strategy Board is compliant with IAS 7 in that the only recognised investing activities are the purchase and sale of property, plant and equipment and intangible assets within the Statement of Financial position.

An additional amendment to the FReM, effective from 1 April 2010, has been made in respect of IAS 36 Impairment of Assets. This requires impairments of property, plant and equipment that arise from a clear consumption of economic benefits to be taken direct to the Statement of comprehensive Net Expenditure.

#### 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 Technology Strategy Board's reported income or net assets in the period of adoption.

IAS 24 Related Party Transactions (effective for periods beginning on or after 1 January 2011) – The amendment provides exemption for full disclosure of transactions with state-controlled entities and does not impact the current exemption allowed within the FReM. IAS 24 also clarifies the definition of a related party.

IFRS7 Financial Instruments: Disclosures (effective for periods beginning on or after 1 July 2011) – Detailed disclosures are required for financial assets transferred to another entity but not derecognised in their entirety and financial assets derecognised in their entirety but in which the reporting entity has an involvement. Technology Strategy Board does not expect there to be any transactions requiring disclosure but will assess further as appropriate for the 2011/12 financial statements.

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. Further proposals were introduced in October 2010 in respect of the derecognition of financial assets and liabilities. IFRS 9 is due to be expanded further in June 2011 with regard to the impairment of financial assets measured at amortised cost. Technology Strategy Board will undertake an assessment of the impact of IFRS 9 once the full requirements are known.

#### **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.

Capital expenditure to date on tangible assets comprises furniture and fittings and computers only; there have been no purchases of land or buildings.

Capital expenditure on intangible assets includes the implementation of a new finance system and the development of a website comprising a grant management system and a collaboration platform for Knowledge Transfer Networks, other industry groups and Technology Strategy Board technologists. Interim consultants' costs that are directly attributable to developing these software applications have been capitalised.

#### Property, plant and equipment

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

### 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 10 years and computers over two years.

### Intangible assets

Intangible assets are accounted for in accordance with IAS38 and are carried at historical cost less accumulated amortisation.

### 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. Software developments are 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 2010-11.

The impairment tests are conducted at the same time every year and the indicators for impairment constitute mostly internal sources of information, as there is no homogenous market for the bespoke grant management system developed in house and therefore its market value is unknown. For this reason, its value in use is used to determine its recoverable amount.

The value in use represents the net economic benefit of the asset and this is arrived at by assessing the costs and savings attributable to the asset. The net economic benefit is then compared to the net book value in the accounts and if the latter is higher, the asset is impaired to arrive at the net economic benefit value.

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.

## **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 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. Hence it is accounted for as financing. GIA is credited to the Income and expenditure reserve in the statement of financial position. The same treatment has been adopted for other sources of financing, including income from the European Union. 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 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. Unclaimed grants are charged to the Statement of Comprehensive Net Expenditure on the basis of estimates (refer to note 1n 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. Contributions are set on a year-by-year basis in accordance with the requirements of the scheme administrators.

**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 IAS 17.

**k. Notional Cost of Capital change in Policy**

The FReM no longer permits the inclusion of notional cost of capital charges when calculating the net expenditure. In accordance with the Treasury's guidance, a prior period adjustment has been made and comparative amounts have been restated.

As a result, the Non-Cash Outturn has been reduced by £4.8m. There is no impact on the financial statements as an equal and opposite entry was recorded in General Fund.

**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. Other Operating Income**

Other operating income is recognised on an accrual basis and mainly represents income received from management of the Knowledge Transfer Partnership (KTP) programme, and ticket sales from the Innovate event.

**n. 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**

Technology grant accrual figures are primarily based on data derived from a quarterly claim process managed by the Technology Strategy Board, which requires claims to be made for an agreed percentage of eligible costs incurred over the agreed life of the project.

For each project participant, where the combination of the period end date of the latest grant claim processed and the participant's project end date indicates that an unclaimed amount exists at the balance sheet date, such sums are factored into the accrual calculation in the accounts. For the large majority of projects, which collectively account for approximately 83% of the total technology grant accrual, the calculation is based on the sum of grant claims received post 31 March 2011, which relate to the financial year 2010-11, and an apportionment of the unclaimed grant from the claim end date of the latest processed claim to 31 March 2011 or, if sooner, the participant's project end date. Statistical data on the profile

of grant claims over the life of the project is applied to the accrual calculation to provide for reasonable accuracy of the technology grant accrual.

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 workpackages. 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 combined sensitivity of these factors has been estimated as between -8% and +17% on the remaining grant accrual that had yet to unwind on 30 September 2011, which amounted to £20,392,000.

For a small number of large projects, accruals representing approximately 17% of the total technology grant accrual have been calculated based on project forecasts received from the participants.

## 2. STAFF COSTS

### a. Remuneration of senior employees

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

### b. Staff costs

	2010-11 £000	2009-10 £000
Permanent staff		
- Salaries and wages	4,883	4,463
- Social Security costs	486	471
- Superannuation costs	1,084	773
	6,453	5,707
Agency and interim staff	3,984	4,139
Board Members' fees	103	114
<b>Total Staff Costs</b>	<b>10,540</b>	<b>9,960</b>

Agency and interim staff costs is stated after capitalising £1,832,000 costs (2009-10: £1,004,000) in intangible non-current asset additions.

**c. Average number of persons employed**

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

	<b>2010-11 Number</b>	<b>2009-10 Number</b>
Permanent staff	<b>93</b>	<b>80</b>
Agency and interim staff	<b>42</b>	<b>36</b>
	<b>135</b>	<b>116</b>

In 2010-11, two interim staff on average were deployed on the development of the new website and IT platform (2009-10: 6.0 staff).

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

Remuneration of Governing Board members details can be found in the Remuneration report.

**e. Pension arrangements**

The BBSRC has responsibility for the research councils' pension schemes (RCPS) and the Chief Executive of the BBSRC is the Accounting Officer for the pension schemes. 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 schemes provide retirement and related benefits on final emoluments by analogy to the Principal Civil Service Pension Scheme (PCSPS). The RCPS are 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 schemes, 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 schemes at [www.bbsrc.ac.uk](http://www.bbsrc.ac.uk).

Employer contributions are reviewed every four years following a full scheme valuation by the Government Actuary's Department (GAD). 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 raised from 21.3% to 26.0%, effective from 1 April 2010. 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 2010-11, employer's contributions of £1,084,000 (2009-10: £773,000) were paid to the RCPS at 26% (2009-10: 21.3%) of pensionable pay.

**f. Compensation schemes and exit packages**

During 2010-11 there were no compulsory redundancies or exit packages agreed.

On 1 April 2010 the Technology Strategy Board in-sourced its competition support activity, which had been undertaken by a supplier based in East Kilbride. This was a relevant transfer under the Transfer of Undertakings (Protection of Employment) Regulations 2006 (TUPE). As such, employees of the supplier who worked predominantly or entirely on the contract would automatically transfer to the Technology Strategy Board on 1 April 2010. Eight staff were identified as being affected. All liabilities associated with their employment contracts would also transfer.

Due to new systems usage and organisational reasons, the Technology Strategy Board identified that it required only four roles to continue the competition support activity. These roles were based in the Swindon offices. It was clearly apparent that the Technology Strategy Board would need to commence a redundancy exercise, due to the technical and organisational issues, and up to four individual relocations on the date of the transfer. The liability for these activities would fall to the Technology Strategy Board.

The TUPE regulations require that both the transferor (supplier) and transferee (TECHNOLOGY STRATEGY BOARD ) consult with the affected individuals on such transfer-related measures, prior to the transfer. During this consultation exercise the Technology Strategy Board agreed that it would conclude the redundancy exercise prior to the transfer and cover its liabilities in line with the TUPE regulations. It was also established that none of the affected employees wished to relocate to Swindon. Accordingly, eight redundancies were made, with severance packages in line with protected terms. The Technology Strategy Board did not actually employ any of the eight staff, but legally carried the liabilities for the redundancies.

An agreement was made with the supplier for a contribution of £30,000 towards the severance liabilities.

The total net redundancy cost was £255,552 incurred by the Technology Strategy Board.

On 1 January 2011, Eight positions were subject to, and were transferred under the TUPE regulations to the Technology Strategy Board as part of the drive to in-source the KTP competitions activity. There were no redundancy cost or compensations due as a result of this transfer.

**3. PROGRAMME SUPPORT CONTRACTS**

	<b>2010-11</b>	<b>2009-10</b>
	<b>£000</b>	<b>£000</b>
Third Party Programme Support	11,569	16,335
Monitoring Officer and Assessment Fees and Expenses	3,639	4,467
	15,208	20,802

The charges for programme support contracts are for the management and delivery of the Technology Strategy Board's programmes and include the IT platform 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

OTHER OPERATING COSTS		
	2010-11	2009-10
	£000	£000
Travel and Subsistence	899	892
Utilities	28	28
Rent, Rates and Maintenance	339	358
Programme Communications and Events	2,173	2,874
Intervention Management	1,241	2,696
General Administration	773	795
Recruitment	273	261
Employee Relocation Costs	32	153
Office Equipment	54	43
Information Technology and Communications Charges	480	351
Auditors' Remuneration	140	165
Exchange Rate (Gains)/Losses	9	(10)
	<b>6,441</b>	<b>8,606</b>

The amount charged in the year for operating leases was £679,000 (2009-10: £441,000). £459,000 (2009-10: £262,000) of this charge was included within information technology and communications charges and relates entirely to equipment, with the remaining £220,000 (2009-10: £179,000) included within rent, rates and maintenance.

Auditors' remuneration includes £140,000 (2009-10: £165,000) for the statutory audit fee.

## 5. TECHNOLOGY GRANTS

	2010-11 £000	2009-10 £000
Collaborative Research and Development	160,964	126,766
Micro Nano Technology	334	11,258
Knowledge Transfer Networks	18,135	19,304
Knowledge Transfer Partnerships	30,456	18,093
Energy	27,129	19,603
European Union	4,065	938
Legacy	26	138
Emerging technologies & industries	2,095	775
Small Business Research Initiatives	1,647	110
Innovation platforms	69,298	40,205
Innovation research centres	50	23
<b>Total Technology Grants</b>	<b>314,199</b>	<b>237,213</b>

### Analysis of Technology Grants

Universities and not for profit private sector	83,159	45,670
Other private sector recipients	223,630	184,274
Public sector recipients	7,410	7,269
	<b>314,199</b>	<b>237,213</b>

## 6. INTERNATIONAL COLLABORATION

	2010-11 £000	2009-10 £000
European Space Agency	50,678	66,455

The Technology Strategy Board took over the funding of the British National Space Centre's contributions to ESA from 1 April 2009 under a Machinery of Government change. The ESA programme has been transferred to the newly-formed UK Space Agency with effect from 1 April 2011 under a Machinery of Government change.

The UK shares research objectives with other European nations and collaborates with them to mitigate the high capital and running costs of facilities. There are agreements in place at a national level to regulate annual contributions and the management of the facilities. These include a period of notice of withdrawal from the arrangement. ESA requires a notice period of 12 months after the end of the current calendar year.

## 7. OPERATING SEGMENTS

	2010-11			2009-10		
	Expenditure £000	Co- funding £000	TSB funded £000	Expenditure £000	Co- funding £000	TSB funded £000
Technology inspired	105,448	(2,809)	102,639	119,006	(1,615)	117,391
Challenge-led						
- Application Areas	88,956	(4,536)	84,420	41,954	(3,542)	38,412
- Innovation Platforms	69,640	(18,391)	51,249	43,665	(14,132)	29,533
Knowledge exchange	56,317	(7,001)	49,316	46,895	(8,958)	37,937
Emerging technologies & industries	3,175	-	3,175	3,419	-	3,419
Small Business Research Initiatives	1,965	(1,947)	18	599	-	599
EU programmes	5,393	(646)	4,747	2,269	-	2,269
International collaboration ( Space)	50,678	(2,400)	48,278	66,455	(4,304)	62,151
Innovation research centre	50	(48)	2	23	-	23
Other segments	14,653	(153)	14,500	17,477	-	17,477
Total Operating Segments	396,275	(37,931)	358,444	341,762	(32,551)	309,211

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

The technology-inspired innovation area represents those key technology areas that are critical to the UK economy's future success. The challenge-led innovation area comprises two categories: application areas, which seek to address major societal challenges or are associated with the challenge of maintaining a world-leading position; and innovation platforms, which target today's major policy, societal or market challenges. The knowledge exchange represents investment in networks and knowledge exchange, as well as public engagement activities. In emerging technologies and industries we seek to identify and evaluate new technologies for potential impact across a wide range of industries. 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. Space represents investment in international collaboration in the space sector. Innovation and research centre is a collaborative initiative supporting research on innovation and knowledge exchange activities. Other segments is any other spend and comprises the costs of managing the investment programmes and the internal costs of the Technology Strategy Board; these costs are not analysed by operating segment.

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.



## 8. OPERATING INCOME

	2010-11 £000	2009-10 £000
KTP Management Fee Recharge	(1,187)	(1,371)
Ticket sales	(96)	
	(1,283)	(1,371)

The KTP Management Fee Recharge represent our partners' share of the costs associated with the management and delivery of the Knowledge Transfer Partnerships (KTP) programme and income from ticket sales to our annual Innovate event.

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 2010-11, 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 £6,922,000 (2009-10: £4,925,000). The Technology Strategy Board's share of these costs was £5,735,000 (2009-10: £3,305,000). 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 revenue from Ticket sales represent an affordable charge levied to attendees at the Technology Strategy Board event, Innovate. Innovate is a working event where UK companies learn about innovation opportunities, and find new collaborations, ideas and opportunities, as well as sources of funding and support, to make innovation happen and drive economic growth. The affordable charge is levied to attendees to ensure commitment without being a deterrent with the added advantage of offsetting some of the event's cost. The 2010-11 figure includes £43,000 pertaining to the Innovate event held in 2009.

## 9. PROPERTY, PLANT AND EQUIPMENT

	Furniture and Fittings £000	Computers £000	Total £000
<b>Cost</b>			
At 1 April 2010	552	0	552
Additions	0	9	9
Disposals	-	-	-
<b>Cost at 31 March 2011</b>	<b>552</b>	<b>9</b>	<b>561</b>

### Depreciation

Depreciation at 1 April 2010	91	0	91
Charge for the year	82	2	84
Disposals	-	-	-
<b>Depreciation at 31 March 2011</b>	<b>173</b>	<b>2</b>	<b>175</b>

### Net Book Value:

<b>At 31 March 2011</b>	<b>379</b>	<b>7</b>	<b>386</b>
At 1 April 2010	461	0	461

	Furniture and Fittings £000	Computers £000	Total £000
<b>Cost</b>			
At 1 April 2009		-	434
	434		
Additions	118	-	118
Disposals	-	-	-
<b>Cost at 31 March 2010</b>	<b>552</b>	<b>-</b>	<b>552</b>

### Depreciation

At 1 April 2009	9	-	9
Charge for the year	82	-	82
Disposals	-	-	-
<b>Depreciation at 31 March 2010</b>	<b>91</b>	<b>-</b>	<b>91</b>

### Net Book Value:

<b>At 31 March 2010</b>	<b>461</b>	<b>-</b>	<b>461</b>
At 1 April 2009	425	-	425

## 10. INTANGIBLE NON-CURRENT ASSETS

	Information Technology £0	Software Purchased £0	Total £0
<b>Cost</b>			
At 1 April 2010	5,938	0	5,938
Additions	1,841	61	1,902
<b>Cost at 31 March 2011</b>	<b>7,779</b>	<b>61</b>	<b>7,840</b>
<b>Amortisation</b>			
At 1 April 2010	15	0	15
Charge for the year	391	17	408
<b>Amortisation at 31 March 2011</b>	<b>406</b>	<b>17</b>	<b>423</b>
<b>Net Book Value:</b>			
<b>As at 31 March 2011</b>	<b>7,373</b>	<b>44</b>	<b>7,417</b>
As at 1 April 2010	5,923	0	5,923

	Information Technology £0	Software Purchased £0	Total £0
<b>Cost</b>			
At 1 April 2009	531	-	531
Additions	5,407	-	5,407
Disposals	-	-	-
<b>Cost at 31 March 2010</b>	<b>5,938</b>	<b>-</b>	<b>5,938</b>
<b>Amortisation</b>			
At 1 April 2009	-	-	-
Charge for the year	15	-	15
Transition to IFRS (IAS 38)	-	-	-
Disposals	-	-	-
<b>Amortisation at 31 March 2010</b>	<b>15</b>	<b>-</b>	<b>15</b>
<b>Net Book Value:</b>			
<b>As at 31 March 2010</b>	<b>5,923</b>	<b>-</b>	<b>5,923</b>
As at 1 April 2009	531	-	531

Included in the above carrying cost is £7,373,000 for development costs of a new IT platform, 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 internally developed intangible asset and it was capitalised in January 2011. The asset is amortised from this date for a period of five years. The assets have been tested at year end, and there was no need for impairment.

## 11. TRADE AND OTHER RECEIVABLES

	31 March 2011 £000	31 March 2010 £000
<b>Amounts falling due within one year</b>		
Trade receivables	123	70
Other receivables	41	26
VAT recoverable	0	7
Prepayments and accrued income*	10,591	10,254
<b>Total Trade receivables</b>	<b>10,755</b>	<b>10,357</b>

### Analysis of receivables balance:

Bodies external to government	10,681	10,217
Other Central Government Bodies	74	77
Local Authorities	0	63
<b>Total</b>	<b>10,755</b>	<b>10,357</b>

\* Prepayments include advance payments to ESA Space for the 2011 subscriptions.

## 12. CASH AND CASH EQUIVALENTS

The net funds at 31 March 2011, £32,792,000 comprise cash held within the Government Banking Service (31 March 2010: £8,129,000).

### 13. TRADE AND OTHER PAYABLES

#### (a) Analysis by type

	31 March 2011 £000	31 March 2010 £000
<b>Amounts falling due within one year</b>		
Trade payables	18,906	27,636
Other payables	107	125
Other taxation and social security	184	164
Grant accruals	155,463	92,320
Other accruals	6,661	8,252
<b>Total</b>	<b>181,321</b>	<b>128,497</b>

#### (b) Analysis by source

<b>Amounts falling due within one year</b>		
Other Central Government Bodies	3,791	3,605
Local Authorities	614	221
NHS Bodies	144	321
Public corporations and trading funds	101	153
Bodies external to government	176,671	124,197
<b>Total</b>	<b>181,321</b>	<b>128,497</b>

### 14. CONTINGENT LIABILITIES

The Technology Strategy Board has no material contingent liabilities.

## 15. COMMITMENTS

### a. Capital expenditure

	2010-11 £000	2009-10 £000
Authorised but not contracted for	0	1,062
Contracted but not provided for	0	188

### b. Operating lease commitments

	Land and Buildings		Other	
	31 March 2011 £000	31 March 2010 £000	31 March 2011 £000	31 March 2010 £000
Not later than one year	169	150	289	319
Later than one year and not later than five years	743	716	-	289
Later than five years	253	448	-	-
Total	1,165	1,314	289	608

In connection with the 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.

## 16. ENERGY TECHNOLOGY INSTITUTE (ETI) LIMITED LIABILITY PARTNERSHIP

ETI was established on 12 December 2007 as a joint initiative between the Secretary of State for Innovation, Universities & Skills (now BIS) and private sector companies in support of the UK Government's energy and climate change policy goals. These goals include the significant reduction of the UK's and global CO2 emissions by 2050 and beyond, and the maintenance of the reliability of the UK's energy supplies. Specifically, ETI aims to accelerate the research, development, demonstration and eventual commercial deployment of secure, affordable low carbon energy technologies, systems and networks.

The Secretary of State for BIS is a designated member of ETI; however, the Technology Strategy Board and Engineering & Physical Sciences Research Council are responsible for providing the member's contributions on behalf of BIS. In 2010-11 the Technology Strategy Board made payments of £4.34m (2009-10: £1.85m) to ETI, which have been accounted for as a grant expense.

## 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, viz: the Arts & Humanities Research Council; BBSRC; the Engineering and Physical Sciences Research Council; the Economic and Social Research Council; the Natural Environment Research Council; Medical Research Council; and the Science and Technology Facilities Council. Also, the Technology Strategy Board had material transactions with other government departments and with other central government bodies, viz: Intellectual Property Office, Foreign and Commonwealth Office, Defra; the Department of Health; the Department for Transport, Department of Energy and Climate Change and the Ministry of Defence.

In addition, the Technology Strategy Board had material transactions with devolved administrations, viz: the Scottish Government and the Welsh Assembly Government; and with the regional development agencies, viz: Advantage West Midlands, East Midlands Development Agency, Invest Northern Ireland, ONE North East, South East England Development Agency, South West Regional Development Agency and Yorkshire Forward.

- b. These Accounts provide disclosure of all material financial transactions with those who have been defined as 'Directors'. In the Technology Strategy Board context 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 and payables 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.

Directors	Organisation	Transaction Amount £		
		Income & Financing	Expenditure	Payables Balance
Dr David Bott	Oxford Advanced Surfaces Group plc	-	43,976	-
	Oxford Biomaterials Ltd	-	1,433	-
	University of Sheffield	-	2,375,288	24,174
Dr John Brown FRSE	BioIndustry Association	-	1,080	-
	Roslin Cells Ltd	-	167,273	-
Eur Ing Nick Buckland	University of Plymouth	-	632,513	-
	SWRDA	(17,000)	10,847	-
	Wellcome Trust	-	3,267	-
Dr Stewart Davies	Balfour Beatty Technical Services	-	24,270	-
Dr Joseph Feczko	Pfizer Ltd	-	13,693	-
Anne Glover CBE	Amadeus Capital Partners Ltd	-	4,547	-
	The Royal Society	-	4,026	-
Dr David Grant CBE	Cardiff University	-	1,268,087	-
	The Royal Academy of Engineering	-	3,132	-
Iain G Gray	University of the West of England	-	741,864	-
	UK Space Agency	(500,000)	-	-
	Energy Technologies Institute	-	4,343,280	-
	The Royal Academy of Engineering	-	3,132	-
Jonathan Kestenbaum	Design Council	-	13,019	-
	NESTA	-	119	-
Dr Allyson Reed	University of Reading	-	954,186	20,099
	3C Research	-	80,639	-
	City University	-	147,867	-
	Cambridge University	-	1,789,262	35,270
	Oxford University	-	3,091,751	-
	STFC	(301,072)	90,000	-
Prof Christopher Snowden FRS	University of Surrey	-	484,168	-
	EPSRC	(1,949,534)	2,078,603	-
	Diamond Microwave Devices Ltd	-	564,818	102,038
	Filtronic Broadband Ltd	-	11,351	-
	The Royal Society	-	4,026	-
	The Royal Academy of Engineering	-	3132	-



Directors	Organisation	Transaction Amount £		
		Income & Financing	Expenditure	Payables Balance
Dr Graham Spittle	Oxford University	-	3,091,751	-
	Southampton University	-	2,367,715	90,689
	Edinburgh University	-	251,887	22,324
	University of Bristol	-	514,611	-
	Roslyne Ltd	-	343	-
<b>Members - Part Year</b>				
Dr Graeme Armstrong	University of the Arts	-	1,169,472	-
	University of Newcastle-upon-Tyne	-	1,604,642	62,535
	Chemistry Innovation KTN	-	1,120,310	-
Dr Jeremy Watson	Ove Arup Ltd	-	230,337	17,999
	Cambridge University	-	1,789,262	35,270
	University of Bristol	-	514,611	-
	Southampton University	-	2,367,715	-
	Imperial College of Science and Technology	-	2,919,199	30,472
	University of Sussex	-	112,471	-

- 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.

## 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 IAS 32, IAS 39 and IFRS 7 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 is exposed to foreign currency risk on its grant payments to the ESA; in 2010-11 grant payments totalling €62m have been made. These payments are made at the prevailing spot rate. BIS has agreed to provide the Technology Strategy Board with additional funding to cover any shortfall in the event that adverse foreign currency movements cannot be managed within its budget allocation; however, this was not required in 2010-11.

## **19. EVENTS AFTER THE REPORTING PERIOD**

The UK Space Agency was established on 1 April 2010 to consolidate responsibility for government policy and the key budgets for Space. Responsibility for the ESA portion of the Technology Strategy Board's space spend transferred to UKSA on 1 April 2011.

After 1 April 2011, the Technology Strategy Board assumed responsibility for delivering new government commitments, such as the implementation of the Technology & Innovation Centre programme and the transfer of the Regional Development Agency programmes into the Technology Strategy Board, in particular the responsibility for delivering the Grant for Research and Development programme.

There were no other post Balance sheet events between the Balance sheet date and the date when the Accounting Officer approved the accounts. The financial statements do not reflect events after this date.

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