



ANNUAL REPORT AND ACCOUNTS 2013 - 2014



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MANAGEMENT COMMENTARY

Key Achievements

This section highlights some of the key achievements during 2013-14.

Engineering and Physical Sciences Research Council (EPSRC) invests in internationally excellent research, supports the leaders of tomorrow and works with business to help rebalance the economy and deliver sustainable growth for the UK.

EPSRC fuels innovation by connecting industry with academia to capitalise on innovative research for the prosperity and sustainability of the UK.

EPSRC has the greatest alignment of any research council to the government's Industrial Strategy and Strategies for Growth. We invest in a portfolio of research and training that is relevant to all twelve sectors in the Industrial Strategy and aligns strongly with eight of them. We have well-established connections to industry and other users of research to secure maximum exploitation of research outcomes and have training policies explicitly directed at producing the highly skilled people UK industry needs for growth.

EPSRC has nearly 1900 companies and other organisations engaged in research and training activities: currently more than 46 per cent of our research portfolio by value is collaborative with users, with leverage on our current research and training investment as of March 2014 providing an additional £827 million from industry, government departments, public sector organisations, independent research organisations and charities.

EPSRC currently has Strategic Partnerships with 31 organisations from business, government and the charitable sector, including Rolls-Royce, Procter & Gamble, GlaxoSmithKline and the Department for Transport. Total research funding is £348 million – £204 million from EPSRC and £144 million from our Strategic Partners.

New Healthcare Interdisciplinary Research Collaborations


In May 2013 EPSRC announced three new EPSRC-supported Healthcare Interdisciplinary Research Collaborations (IRCs). Bringing together world class scientists, policymakers, industry and clinicians, the innovative projects will include smart-phone test and tracking systems for infectious diseases led by University College London; fibre optic probes that can monitor people's condition in intensive care led by the University of Edinburgh; and in-home sensors that can relay patient information to doctors immediately led by the University of Bristol. The £32 million investment will be spread across ten universities and involve 18 industry and academic partners. A further £9 million is being invested by the universities and project partners.

£10 million virtual engineering research announced

Five new EPSRC-funded projects that will advance the UK's role in developing virtual simulation technologies were unveiled by the Secretary of State for Business, Innovation and Skills, The Rt Hon Dr Vince Cable MP, during a visit to the University of Warwick in June 2013. The unique £10 million five year collaboration between Jaguar Land Rover and the Universities of Loughborough, Leeds, Cambridge and Warwick, will develop the capability of the virtual simulation industry in the UK and will give manufacturers access to new, world-class simulation tools and processes that could put the UK at the leading edge of virtual simulation globally. Dr Cable said: "This investment will support the government's Industrial Strategy by boosting the UK's manufacturing capability and helping to keep us globally competitive."

New EPSRC National Centre of Excellence for Power Electronics

The UK's capacity in Power Electronics, a technology that underpins and is vital to many of the country's industries and its economy, received an £18 million boost in July 2013 with the opening



of the first EPSRC National Centre of Excellence for Power Electronics. Power Electronics have played a part in the development and operation of laptops and mobile phones and in cars, trains, planes, energy networks and power stations. The investment will be spread across a series of grants, each of which involves multiple universities. These consist of a central coordinating Hub - led by Professor Mark Johnson at the University of Nottingham and involving the Universities of Manchester, Newcastle, Greenwich, Bristol, Warwick, Nottingham and Imperial College London - and a series of four technical programmes.

Centre to drive UK's synthetic biology progress

A new £10 million Innovation and Knowledge Centre (IKC), that will boost the UK's ability to translate the emerging field of synthetic biology into application and provide a bridge between academia and industry, was announced in July 2013. SynbiCITE, based at Imperial College London and led by Professor Richard Kitney and Professor Paul Freemont, will integrate university and industry based research in synthetic biology into industrial process and products. The centre will be a national resource, involving a further 17 UK universities and academic institutions, as well as 13 industrial partners, including the research arms of Microsoft, Shell and GlaxoSmithKline. It is anticipated that synthetic biology will provide a range of benefits to society in sectors such as human health, agriculture and food production, environmental protection and remediation, bioenergy and chemical production.

£7 million infrastructure business model centres launched

Two new centres that will help shape the way the UK's future infrastructure is planned and implemented were launched in May 2013. Based at University College London and Newcastle University, the centres have been set up as part of the National Infrastructure Plan, published by the government in 2011, with funding of £7 million from the EPSRC and Economic and Social Research Council (ESRC). As well as informing the national debate about the future of the UK's infrastructure – UK infrastructure is now worth £33 billion a year – the centres will identify how to deliver infrastructure and the services it provides in order to stimulate jobs and economic growth as well as deliver wider environmental and social value. They will create a shared, facilitated learning environment in which social scientists, engineers, industrialists, policymakers and other stakeholders can work together and focus on developing and implementing innovative business models to support UK firms.

New research institute to thwart cyber-attacks

Averting cyber-attacks and other threats to vital systems that control the UK's industry and infrastructure will be the focus of a new EPSRC-funded research institute. Announced in December 2013 and headed by Professor Chris Hankin, researchers at the Research Institute into Trustworthy Industrial Control Systems at Imperial College London will explore potential threats to the infrastructure that controls a range of processes, from nuclear power generation, to manufacturing, to energy distribution and the national rail network. They will analyse how cyber-attacks that could shut down these Industrial Control Systems can be prevented or counteracted. Jointly funded with the Cabinet Office via the Centre for the Protection of the National Infrastructure, researchers will work alongside government and industry.

Shell signs a Memorandum of Understanding with EPSRC

In February 2014 the multinational oil and gas company Shell signed Memoranda of Understanding with EPSRC and Natural Environment Research Council (NERC). The five year partnership will enable Shell to gain greater understanding of the research landscape in which the research councils operate and help EPSRC fulfil part of its strategy to drive UK economic growth. It aims to identify synergies between Shell and EPSRC-funded research and training activities where they relate to Shell technology strategies, as well as help to identify opportunities for joint funding and postgraduate training which align with both partners' requirements.

Safer and more sustainable materials for manufacturing

A £10.3 million grant was awarded in February 2014 to researchers at University College London and the Universities of Bristol, Surrey and York to find safer, more sustainable alternatives to the raw materials used by manufacturing industries. Increasingly these materials are rare, expensive and

can be difficult to source, the research teams will assess the viability of using different replacement materials, considering their properties, cost, performance and scalability. By the end of the study the research will enable manufacturers to adopt alternatives. Minister for Universities and Science David Willetts said: "As one of the eight great technologies of the future, advanced materials will ensure safe and more sustainable development of resources to boost the capability of UK manufacturing." Industrial partners are contributing a further £2.8 million to the investment.

World's largest antibody search engine

An internet service which allows scientists to find antibodies for use in their research is now the largest antibody search engine in a \$2 billion industry, and ranked number one by Google. CiteAb was founded in 2013 by Dr Andrew Chalmers at the University of Bath following funding from an EPSRC Knowledge Transfer Account. Dr Chalmers said: "One of the biggest problems for a researcher is being sure that the antibody they're about to spend hundreds of pounds on is going to work. They can waste time and money buying the wrong one, CiteAb solves this problem. We rank antibodies by academic citations as these are the best guide to whether an antibody is likely to work in the laboratory – citations are independent and easily verifiable and no one can pay to be the top hit." In February 2014 CiteAb was spun out from the University of Bath.

EPSRC supports our very best researchers throughout their careers by fostering their ambition, innovation and adventure.

For the UK to retain its position as a leader in science and technology, we need to invest not only in the future generation of researchers, but also in the highly skilled, numerate workforce which will be needed to drive the economy. Many key sectors of the UK economy are heavily dependent on engineering and physical science doctoral graduates; nearly half of all EPSRC-supported students find employment in business and public services. In March 2014 EPSRC was investing in more than 8,500 doctoral students.

Funding for more than 110 new centres to train tomorrow's engineers and scientists

During 2013-14 the UK's largest investment in postgraduate training in engineering and physical sciences was announced. In November 2013 Universities and Science Minister David Willetts announced that £350 million will be used to train over 3,500 postgraduate students in over 70 new Centres for Doctoral Training (CDT) across 24 universities. Many of the centres will involve research that connects to key industries and important technologies which will aid innovation and growth. Mr Willetts said: "Scientists and engineers are vital to our economy and society. It is their talent and imagination, as well as their knowledge and skills, that inspire innovation and drive growth across a range of sectors, from manufacturing to financial services."

A further 19 CDTs were announced during a visit to Imperial College London by Mr Willetts in January 2014, whilst the March 2014 Budget included an extra £106 million for CDTs, enabling an additional 22 centres to be funded. 113 centres in total will be supported, using an overall EPSRC investment of £507 million plus leverage from industry totalling £444 million. 5500 students will be supported over nine years. A number of other research councils, including the MRC and BBSRC, are also contributing towards centres with key relevance to their fields of research.

New centres to train cyber security graduates

Two new Centres for Doctoral Training (CDTs) that will provide the UK with the next generation of researchers and leaders in cyber security were announced in May 2013. The centres, which will

be directed by Dr Andrew Martin at the University of Oxford and Dr Carlos Cid at Royal Holloway, University of London, are jointly funded with a total of £7.5 million, with £2.5 million from the EPSRC as part of the RCUK Global Uncertainties Programme and £5 million from the Department for Business, Innovation and Skills as part of its work in the National Cyber Security Programme. The centres will cover some of the most pressing cyber security challenges faced by society, business and government today. Both centres will produce at least 66 PhD graduates with the first cohorts of students expected to start studying this autumn.

PhD training given boost

The EPSRC is investing £83.5 million in postgraduate training through its annual Doctoral Training Partnerships (DTPs), the largest ever round of DTPs made by EPSRC. Thirty-nine universities will benefit from the funding which will enable students to work with world-class research leaders, on innovative, excellent science and develop new technologies to tackle the many global challenges we face, as well as equipping them with the skills and knowledge to further their own career ambitions.

We are supporting the next generation of researchers with the greatest potential across the postdoctoral, early and established career stages.

Currently we support more than 300 research fellows at various stages in their careers; increasingly they will be working in areas where UK economic growth is required and where they can integrate their work into the wider landscape.

Early Career fellowships partnership

A new collaboration between the Royal Society and the EPSRC to support early career Royal Society research fellows who are working within EPSRC's priority areas was announced in July 2013. The first seven fellowship awards are spread across the Universities of Cambridge, Glasgow, Nottingham, Oxford and Imperial College London. Professor David Delpy, EPSRC Chief Executive, said: "This partnership will help us achieve our goals of developing the next generation of leaders in science and engineering, promoting excellent research and driving knowledge forward."

Fellowships building UK leadership in engineering

As part of EPSRC's programme of support for leaders and influencers in engineering, it was announced in November 2013 that up to £9 million would be made available to support between 10 and 15 new fellowships across a number of leading UK universities. These early and established career fellowships will be targeted at three of the UK's great technologies: advanced materials, robotics and autonomous systems, and synthetic biology.

Molecular nano-spies to make light work of disease detection

EPSRC-funded researchers at the University of Nottingham's School of Pharmacy have designed and tested large molecular complexes that will reveal their true identity only when they've reached their intended target, thereby preventing any biological interaction until it is triggered by a specific biomarker. The complexes could be used in detecting and monitoring diseases, or to deliver potent drugs at particular locations in a patient's body and an early application could be in testing for specific infections in fluid samples. The key to this breakthrough has been a five-year EPSRC Leadership Fellowship awarded to Professor Cameron Alexander that has provided the stability of funding to recruit and retain an outstanding team and the ability to explore a range of new concepts. In their initial trials, the team has proved the concept works and are now progressing the breakthrough.

New fellowships to boost science innovation

A new visiting fellowship scheme, that will strengthen the relationship between academics and the manufacturing sector and accelerate the transition of research from the laboratory to adoption by industry, was launched at the second annual EPSRC Manufacturing the Future conference at Cranfield University in September 2013. The first group of fellows will spend time carrying out research at one or more of the seven Centres of Excellence that collectively form the Technology Strategy Board's High Value Manufacturing Catapult, to increase academic involvement in the catapult and accelerate the impact of EPSRC-funded research. An initial £1 million EPSRC grant has been awarded to the University of Sheffield to coordinate the scheme through its Advanced Manufacturing Research Centre.

EPSRC supports world-leading discovery by creating the opportunities and environment for the UK to be the best place in the world to do research.

As a sponsor of long-term high quality research EPSRC understands how important it is for UK researchers to have access to state-of-the-art research equipment and facilities in order to build a world-class research portfolio that will help fuel growth and prosperity. These range from lab-based equipment to international facilities such as the new ARCHER (Academic Research Computing High End Resource) high performance computing service, the Research Complex at Harwell and Diamond Light Source.

£85 million research capital funding for three key technologies

Three key technologies, identified by the Chancellor of the Exchequer as part of the government's Eight Great Technologies to drive UK growth, are to receive an £85 million investment for capital equipment. Speaking at the Global Intelligent Systems conference in London in July 2013, Minister for Universities and Science David Willetts announced the results of a recent EPSRC call for proposals. Funding will be made available to more than 20 universities across the UK to support and strengthen existing research in the areas of robotics and autonomous systems, advanced materials and grid-scale energy storage. Mr Willetts said: "For Britain to get ahead in the global race we have to back emerging technologies and ensure our universities have the latest equipment. This capital investment will help scientists make new discoveries and take their research through to commercial success. It will drive growth and support the government's Industrial Strategy."

High performance computing service now in operation

The new national high performance computing service, ARCHER, started full operation in December 2013 and is already making an impact with users. A number of users across the UK, particularly from high performance computing consortia groups, were invited to test the machine in late 2013. They reported codes running up to three times faster than previously on HECToR. As well as the computer itself, the service offers an extensive file storage system and super-fast connectivity to the existing (JANET) academic network. The machine is located at the University of Edinburgh and operated in partnership with Cray. An official launch of ARCHER at the National Museum of Scotland was held in March 2014, coinciding with HECToR's retirement.

New facility giving researchers and industry access to high performance computing

The EPSRC-sponsored N8 High Performance Computing (N8 HPC) centre, based at the University of Leeds and run jointly by the Universities of Manchester, Newcastle, Sheffield, York, Durham, Lancaster, Leeds and Liverpool, offers high performance computing on a scale previously not readily available to researchers in the North. The centre operates Polaris, one of the 250 most powerful computers in the world and which is capable of a peak performance of 110 trillion operations per second – the approximate equivalent to 500,000 iPads. The centre also aims to lower the barriers to industry use of high performance computing by offering businesses easy access to the facilities,

consultancy services and e-infrastructure training. Opened in March 2013, one of the projects that has already benefitted from the capability that N8 HPC offers was carried out by the BBC to re-categorise 128,000 separate music tracks according to mood – an exercise that took only six hours to complete when normally it would have taken over 18 months.

Four cancer imaging centres get £35 million boost

Cancer Research UK and the EPSRC have together committed £35 million for five years to four separate cancer imaging centres across the country, helping to cement the UK's position as a world leader in cancer imaging research. The new initiative, announced in October 2013, builds on the £50 million initial investment in October 2008. This latest funding will bring together scientists, engineers and clinicians to develop new imaging techniques and applications with the centres serving as focal points of world-class research. The four imaging centres to receive funding are at the University of Oxford, the Institute of Cancer Research, London, a joint imaging centre between King's College London and University College London and a new collaboration between the University of Cambridge and University of Manchester

£13 million funding for national wind tunnel facility

A new National Wind Tunnel Facility (NWTf) that will keep the UK at the forefront of aerodynamic and fluid mechanics research was announced in January 2014. The total funding for the facility is £13.3 million, with £10.7 million coming from EPSRC and £2.6 million from the UK Aerodynamics Centre. The National Wind Tunnel Facility will include seven wind tunnels based at the Universities of Southampton, Oxford, Cambridge, Glasgow and Cranfield, Imperial College London and City University London. For maximum UK benefit, a balance of academic and industrially-oriented facilities are needed and to meet this need, EPSRC and the UK Aerodynamics Centre are working together to co-fund a portfolio of distributed, but co-ordinated, facilities so their usage can be optimised.

Synthetic Polymer research findings published in Nature Chemistry

EPSRC-funded research led by Professor Cameron Alexander from Nottingham University, has shown that artificial materials based on simple synthetic polymers can disrupt the way in which bacteria communicate with each other. The findings, published in the journal *Nature Chemistry*, could further our knowledge on how better to control and exploit bacteria in the future and will have implications for work in the emerging field of synthetic biology. The finding opens up the possibility to influence microbial behaviour by controlling their ability to form productive communities. This can be exploited to prevent the release of toxins during the spread of infection, or, alternatively, the production of useful molecules which can act as drugs, food source or bio-fuels.

EPSRC-funded researchers help create Science Museum's 3D printing exhibition

Experts in 3D printing at the EPSRC Centre for Innovative Manufacturing in Additive Manufacturing at the University of Nottingham, led by Professor Richard Hague, have helped create a major new exhibition at London's Science Museum. One of the highlights of the 3D: Printing the Future exhibition is a 3D prosthetic arm. Created by the Nottingham research team, it shows how the technology could be used to print customised prosthetics with electronic moving parts and nerve endings. Other objects on display is a bladder, a light aircraft part and 3D-printed pharmaceutical tablets developed jointly by the centre and the university's School of Pharmacy. Some of the printed tablets are bilayered, allowing two different drugs to be released at varying speeds according to individual patient need. Nottingham has recently been awarded a £2.7 million grant from EPSRC to investigate drug delivery through 3D printing of pharmaceuticals.

Birds in a flap reveal V-shape secrets

Research published in January 2014 in the science journal *Nature*, has solved the mystery of why birds fly in V-formations. Led by Dr Steve Portugal at the Royal Veterinary College, University of London, a study of 14 Northern Bald Ibises, using lightweight sensors fitted to the back of these migrating birds, showed they position themselves and flap their wings precisely to maximise the aerodynamic benefit of 'upwash' from the wings of the bird in front, while avoiding 'downwash'. These aerodynamic accomplishments were previously not thought possible for birds because of the

complex flight dynamics and sensory feedback required. Custom-built EPSRC-funded technology captured the movements of every bird within the flock, recording its position, speed, and wing-flap during 43 minutes of migratory flight. The results will prove useful in a variety of fields, for example, in aerodynamics and manufacturing.

New iPad-based 'early warning' system for hospital patient monitoring

An iPad-based early-warning system developed with funding from the EPSRC-led RCUK Digital Economy Programme, is one of the projects funded by the 'Safer Hospitals, Safer Wards' £260 million NHS Technology Fund to improve patient safety. The £1.1 million funding will allow the team of biomedical engineers and clinicians from the University of Oxford and the Oxford University Hospitals (OUH) NHS Trust to roll out the system across all adult wards in the Trust's acute hospitals. The system uses the latest computer tablet technology to record and to evaluate patients' vital signs and it will help alert medical staff to patient deterioration on the wards more reliably. Led by Professor Lionel Tarassenko, researchers in the University of Oxford's Institute of Biomedical Engineering (IBME) and clinical staff from the OUH Trust, in particular Intensive Care Medicine specialists Drs Peter Watkinson and Tom Bonnici, have worked in close collaboration to develop the system. The EPSRC-funded Centre for Doctoral Training at the IBME is also enabling the study of the clinical impact of the new system at first hand across a variety of wards.

Study of biofilms in water could help eliminate harmful bacteria

Researchers at the University of Sheffield have discovered that combinations of bacteria, commonly found in water pipes, can form a biofilm which enables other potentially more harmful bacteria to thrive. The EPSRC-funded team, led by Professor Catherine Biggs, isolated four types of bacteria and found that in isolation none of them created a biofilm. However, when any of the bacteria were combined with one of the common forms, called *Methylobacterium*, they formed a biofilm within 72 hours. Following their discovery, the team is now developing DNA testing which will provide a quicker and more effective method than currently used to identify the exact bacteria present in water, enabling water companies to fine tune their responses to eliminate harmful bacteria.

Research leads to world firsts in laser technology

Ground-breaking research is harnessing the unique properties of diamonds to develop a new generation of lasers that could open up important new applications in areas ranging from healthcare to aeronautical engineering. An EPSRC-funded team at the University of Strathclyde has developed a new type of high-performance, ultra-versatile Raman laser that harnesses diamonds to produce light beams with more power and a wider range of colours than current Raman lasers. The team, led by Professor Martin Dawson and Dr Alan Kemp, has achieved two major world firsts. The first ever 'tuneable' diamond Raman laser, where the colour of the light can be adjusted to meet specific needs (e.g. vascular lesions treatments requires a yellow/orange light that is difficult to produce with conventional lasers); and the first ever continuously operating diamond Raman laser (conventional lasers can only provide short pulses of light and are therefore unsuited to some medical and other applications).

Changing the colour of gold

EPSRC-sponsored researchers at the University of Southampton have discovered how to change the colour of the world's most precious metal, gold. Using nanoscale technology, the team have created a new kind of 'metamaterial' by embossing tiny raised or indented patterns onto the metal's surface which can change the way it absorbs and reflects light – making our eyes see it as red or green or a variety of other colours. The technique could be harnessed by a wide range of industries for anything from manufacturing new types of jewellery to making banknotes and documents harder to forge.

FINANCIAL AND OTHER INFORMATION

EPSRC is an executive Non-Departmental Public Body and was established by Royal Charter in December 1993. The Charter was subsequently amended in 1994 in the light of the science White Paper *Realising our Potential*.

EPSRC is funded primarily through Grant-in-Aid from BIS. Income is also received from other Research Councils, Government Departments and other bodies.

The Accounts have been prepared in accordance with the Government's Financial Reporting Manual (FReM) for 2013-14 and the Accounts Direction issued by the Secretary of State.

Principal Objectives

Our mission is:

- to promote and support high quality basic, strategic and applied research and related post-graduate training in engineering and the physical sciences;
- to advance knowledge and technology and provide trained scientists and engineers to meet the needs of users and beneficiaries (including the chemical, communications, construction, electrical, electronic engineering, information technology, pharmaceutical, process and other industries), thereby contributing to the economic competitiveness of the United Kingdom and the quality of life of its citizens; and
- to provide advice, disseminate knowledge, promote public understanding, encourage public engagement and communicate research outcomes in the fields of engineering and the physical sciences.

Our Strategic Objectives are:

Delivering Impact

EPSRC funds long-term research which will have impacts over the next 10 to 50 years. Our primary criterion for funding research will be excellence, as it always has been. Working closely with our partners in universities we will make sure that this research is able to have the maximum impact for the health, prosperity and sustainability of the UK, as early as possible.

Shaping capability

EPSRC will play a more active role in shaping the research base to ensure it delivers high quality research for the UK, now and in the future. In doing so we will work closely with our partners in universities to understand where the strengths of the research base are, and where we have gaps.

Developing Leaders

We will commit greater support to people rather than projects, and make sure that researchers who are truly world-leading are properly supported.

Financial Review of the Year

Net expenditure for the year rose by £70.9m, from £836.3m to £907.2m. About 93% of EPSRC's total expenditure is on Research, Training and Fellowships grants (2012-13 93%) and around 3% on facilities grants and contributions, and the Energy Technologies Institute (ETI) (2012-13 3%).

The increase in expenditure is mainly due to a £56.2m increase in Research; this is mostly due to additional funding from BIS for capital programmes.

Net Assets increased by £34.7m from -£21.7m to £12.9m. This was a result of:

- An increase in Non-Current Assets of £7.8m. The increase of £7.6m in Property, Plant and Equipment is due to the acquisition of the new ARCHER supercomputer and the retirement of HECToR.
- Government funds at 31st March 2014 showed a surplus of £12.9m (2012-13 -£21.7m). The increase reflects the net increase in assets of £23.4m and reduction in liabilities of £11.2m.

Total Grant-in-Aid drawn down was £938.3m (2012-13 £849.0m).

Trends and factors affecting future performance

The principal factor affecting our ability to fund scientific research is the availability of funds provided as Grant-in-Aid from our sponsoring Department, BIS. As explained elsewhere we have already made substantial commitments to future years arising from the award of Research and Training grants. EPSRC's funding has to meet those costs as well as new grants. On 20 December 2010, David Willetts, Minister for University and Science, announced the EPSRC's financial allocations for 2011-12 through to 2014-15 and subsequently on 11 February 2014 the allocation for 2015-16. The EPSRC considers that these allocations, while slightly reduced, will not materially affect the operations of the EPSRC.

Efficiency 2011-15: Ensuring Excellence with Impact

As set out as part of the 2010 spending review settlement, the Research Councils have begun implementation of an efficiency programme to drive down the costs and overheads associated with research. The efficiency savings derived from this programme are being re-invested in research.

In the spring of 2011 Research Councils UK (RCUK) published Efficiency 2011-15: Ensuring Excellence with Impact describing how the Research Councils would implement the recommendations in Sir William Wakeham's report Financial Sustainability and Efficiency in Full Economic Costing of Research in UK Higher Education Institution. The efficiency savings are being applied to both research grants and fellowships awarded via competitive route to Research Organisations and also to Research Council institutes. The combined savings for the first two years of the programme (2011-12 and 2012-13) have exceeded the planned £30.5 million and £82.2 million targets with details provided in the programme's annual report at

http://www.rcuk.ac.uk/RCUK-prod/assets/documents/documents/RCUK_Efficiency_Savings_Report_2012-13.pdf

The combined saving for the third year (2013-14) are planned to be £138.5 million rising over the four year Spending Review period to reach a total of £428 million over the full period.

Alongside these measures the Research Councils also introduced changes to the requests for equipment on grants, including asking applicants to demonstrate how the usage of the equipment will be maximised. RCUK is currently working with university partners to develop options to promote and assist equipment sharing, including exploring the issues around asset registers. There is good anecdotal evidence of significant progress by universities to promote sharing, and of very efficient usage of large pieces of experimental equipment.

Payment Policy

EPSRC observes HM Treasury guidance and makes every effort to pay creditors within 5 days of receipt of invoice. Where this is not possible EPSRC observes the CBI Prompt Payers' Guide, and adheres to the principles of the Prompt Payers' Code, endeavouring to ensure compliance with the agreed terms of payment of creditors' invoices and pay them within 30 days of receipt of invoice. Invoices are processed on our behalf by UK Shared Business Services and during 2013-14 81% of invoices were paid within 5 days (2012-13: 82%). During 2013-14 97% of invoices were paid within 30 days (2012-13: 93%). The aggregate amount owed to trade creditors as a proportion of invoiced expenditure in 2013-14 was 7% (2012-13: 19%).

Details of the Prompt Payers' Guide can be found at www.payontime.co.uk.

Holding of Public Sector Information

EPSRC have complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance, where they are appropriate. However, the information EPSRC holds is exempt from the requirements of "The Re-use of Public Sector Information Regulations 2005" as the regulations do not apply to Educational and Research establishments.

Personal Data

There have been no personal data-related incidents in 2013-14. EPSRC will continue to monitor and assess its information risks in order to identify and address any weaknesses and ensure continuous improvement of its systems.

Resource Audit Committee

The Resource Audit Committee (RAC) includes members of Council together with other independent members from the commercial and academic communities. RAC meets at least four times a year to review corporate governance, risk management, internal and external audit matters, efficiency and the Council's Accounts.

Strategic Advisory Network

The Strategic Advisory Network provides the EPSRC Executive with strategic advice to assist them to develop, implement and modify plans, and to make appropriate recommendations to the Council. The Network is a flexible resource, enabling the Executive to obtain the advice it needs in a timely manner, drawing on a range of perspectives from across our key stakeholder groups including academia, business, third sector and Government.

Financial Risk Management and Going Concern

Accounting policies in respect of going concern and financial risks are considered in notes 1b and 1m respectively.

Equality of Opportunity

EPSRC's policy on recruitment and selection is based on the Equality Act 2010 and focuses 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. If disability should occur during employment, the RC would make every effort to maintain employment and to ensure the availability of adequate retraining and career development facilities.

Employee Engagement

Investors in People

EPSRC retains its Investors in People status. Our next review will be due in 2015.

Civil Service People Survey (CSPS)

This year, EPSRC participated in the Civil Service People Survey for the second year in 2013. Participation was down from 75% to 67% but EPSRC has increased its engagement index by 4 points to 58, which is in line with the Civil Service average and 4 points off the Civil Service High Achievers index.

The Executive were pleased to note that engagement indices across the range have improved, with particular improvement in Leadership and Managing Change from 27% to 41%, positive again in line with the Civil Service average but where EPSRC would, of course, hope to make further improvement next year. Executive Leadership Team (ELT) believes that the People Survey and the actions that are needed to enable EPSRC to further improve the Engagement index are owned by all of the organisation, and will build on the excellent work done in the HR Strategy Implementation Plan with continued engagement across the organisation.

The Making a Difference Team (MaDT)

The Making a Difference Team (MaDT) is an autonomous, self-directed team of employees which determines its own agenda based on input from colleagues. The team has direct access to the Chief Executive Officer. The team's purpose is "Giving everyone the opportunity to engage with and contribute to initiatives that change the organisation for the better".

The Science and Sandwiches initiative continues to be well received. These are interactive seminars given by EPSRC-sponsored researchers to show the reality of the work EPSRC funds and how worthwhile it is. Highlights during the year include 'The Naked Scientist' and Rolls Royce, talking about how they strip science down to its bare essentials and promote it to the general public, and a team from the Optoelectronics Research Centre at the University of Southampton who gave a very interactive talk about their research that included a Meta Materials cake.

Mindful Employer

EPSRC has continued to take part in the Mindful Employer initiative, both attending seminars and networking with other organisations, indicating a positive attitude about about mental health, and demonstrating EPSRC's commitment to improving the working lives of its employees.

Staff Sick Absences

PSU Human Resources and EPSRC management monitor staff sick absences on an ongoing basis with all sickness absences followed up by a return to work interview in line with the harmonised Research Council Sickness Absence Policy. Persistent short- term and long- term absence is managed on a case-by-case basis with appropriate support from an Occupational Health Physician.

During 2013-14 a total of 1,399 days were lost due to staff sickness absences, representing 3% of total full time equivalent working days. EPSRC's staff sick absences data is as follows:

	2013-14	2012-13
Average number of staff during the year	208	209
Total days lost to sickness	1,399	1,682
Average working days lost	6.8	8.1

Exclusion of long term absences i.e. absences greater than 60 days reduces the average working days lost to 3.8. During this period there were 9 long-term absences, averaging 67 days each.

The most common causes of absence are shown below:

Cause	Number of Days Lost	
	2013-14	2012-13
Post Operative	121	299
Cold/ Cough/ Flu	153	287
Gastrointestinal	182	120
Back Problems	13	120
Anxiety/Depression	124	90
Headache/Migraine/Concussion	55	48

Employee Involvement

Employee involvement in management and policy matters has continued through ongoing dialogue between all colleagues within the Research council (and its hosted functions, Research Councils UK (RCUK) and Joint Reprographic Service (JRS)). PSU HR facilitates these activities, and will support the EPSRC in continuing to engage with colleagues on an ongoing basis. (The EPSRC values employee engagement as a key component of its HR strategy and uses both the Investors in People standard and the CSPS as measures.)

Pension Liabilities

As explained in Staff note 10 (c) to the Accounts, the Research Councils' Pension Scheme (RCPS) is a defined benefit State scheme which is funded on a pay-as-you-go basis: contributions are set at a level that is expected to be sufficient to pay the required benefits falling due in the same period; future benefits earned during the current period will be paid out of future contributions.

Environmental Policy

EPSRC is committed to following the Joint Research Council Environmental Policy Statement which calls for:

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

EPSRC's offices are within Polaris House, a building that is shared with all the Research Councils. EPSRC attends the cross-Research Council Environmental Group which meets quarterly to discuss the environmental issues that affect Polaris House. Polaris House has ISO 14001 accreditation for the control of the impact to the environment of all the activities conducted on the Polaris House site. In order to satisfy and maintain the required standards a number of environmental targets and impacts have been agreed for review, assessment and improvement. These are:

- Waste Reduction;
- Landscaping Enhancement;
- Green Purchasing;
- Reduction of CO₂/energy emissions;
- Green Transport.

Environmental issues are communicated to all staff through the cross-Research Council Environmental Awareness newsletter.

Chief Executive Officer

On 31 March 2014 Professor Delpy came to end of his term as Chief Executive Officer of EPSRC. The new Chief Executive, Professor Philip Nelson was appointed from 1 April 2014. Professor Philip Nelson has joined EPSRC on secondment from the University of Southampton on a fixed term.

Auditors

The Accounts of the EPSRC are audited by National Audit Office (NAO) on behalf of the Comptroller and Auditor General under the terms of Paragraph 3(3) of Schedule 1 of the Science and Technology Act 1965. The cost of the statutory audit in 2013-14 was estimated to be £70k (2012-13 £78k).

Internal Audit Services were provided by the Audit and Assurance Services Group (AASG) in 2013-14 and details of their audits and findings are set out in the Governance Statement.

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

MEMBERSHIP LISTS

COUNCIL MEMBERSHIP

The following were members of the EPSRC Council in 2013-14:

Chairperson

Dr Paul Golby, Chair, CBE, FREng

Chief Executive

Professor David Delpy, Accounting Officer, EPSRC
FRS, FREng, FMedSci

Members

Professor Anne Anderson, OBE	University of Glasgow
Professor Andrew Blake, FRS, FREng	Microsoft Research Ltd
Mr Jack Boyer	Entrepreneur
*Professor Lord Ara Darzi, PC, KBE, FRS, FMedSci, Hon FREng	Imperial College London
Professor Anthony Finkelstein, FREng, FCGI, MAE	University College London
Professor John Fisher, CBE, FREng, FMedSci, FIMechE, FIPEM, CEng, CSI	University of Leeds
Professor Sir Richard Friend, FRS, FREng	University of Cambridge
Professor Vernon Gibson, FRS	Chief Scientific Advisor, Ministry of Defence
Professor Andrew Hamilton, FRS	University of Oxford
Professor Richard Jones, FRS	University of Sheffield
Professor Dame Julia King, DBE, FREng	Aston University
Dr Helen Neville, RSC	Procter & Gamble
*Rt Hon Baroness Pauline Neville-Jones, DCMG, PC	House of Lords
Professor John Perkins, CBE, FREng	Chief Scientific Advisor, Department of Business, Innovation and Skills
Professor Roy Sambles, FRS	University of Exeter
Dr David Watson, FREng	IBM UK Ltd
Professor Jeremy Watson, CBE, FREng	Arup and UCL

*Appointment from 1 November 2013

In attendance:

Representative from Knowledge and Innovation Group, BIS: Mr J Clayton.

Members of Council who came to the end of their term in March 2014 were:

Professor David Delpy, FRS, FEng, FMedSci

Professor Roy Sambles, FRS

Professor Philip Nelson, FEng was appointed as the new Chief Executive from April 2014. There were no other appointments made to council.

EPSRC RESOURCE AUDIT COMMITTEE (RAC) MEMBERSHIP 2013-14

Name	Organisation
Professor Roy Sambles, FRS	University of Exeter
Ms Rosie Drinkwater, FCA, CTA	University of Warwick
**Professor Anthony Finkelstein, FEng, FCGI, MAE	University College London from 01-01-2014
**Professor Richard Jones, FRS	University of Sheffield from 01-01-2014
*Professor Dame Julia King, DBE, FEng	Aston University until 31-12-2013
Mrs Caroline Walker, FCCA, CIPFA	Peterborough City Hospital
Dr David Watson, FEng	IBM UK Ltd
Professor Jeremy Watson, CBE, FEng	Arup and UCL

*Left RAC on 31 December 2013

**Appointed to RAC on 1 January 2014

In attendance:

NAO and AASG

The following individuals were appointed to RAC in April 2014

Mr Stephen Hawker, CB, FIET

SHD Consulting Ltd

Mrs Jane Madeley

University of Leeds

EPSRC STRATEGIC ADVISORY NETWORK (SAN) MEMBERSHIP 2013-14

Name	Organisation
Professor Paul Beasley	Siemens CT TIP Technology and Concepts
Ms Jane Bevis	Bevis Consulting
Dr Peter Bonfield , OBE, FREng	BRE Group
Professor Brian Collins, CB, FREng	University College London
Dr Jenny Cooper	National Grid plc
Professor Rachel Cooper, OBE	Lancaster University
Professor Alicia El Haj	Keele University
Mr Peter Ellingworth	Association of British Healthcare Industries
Professor Patrick Grant, FREng	University of Oxford
Mr Tom Hockaday	Isis Innovation Ltd, University of Oxford
Professor Karen Holford, CEng, FIMechE, FICE, CPhys, FInstP, FLSW	Cardiff University
Professor Alan Hughes	University of Cambridge
Professor Steven Ley, FRS, CBE	University of Cambridge
Professor Chris Linton	Loughborough University
Professor Andrew Mackenzie	University of St Andrews
Professor Phil Macnaghten	Durham University
Professor Tom Melham, FRSE	University of Oxford
Professor Kenny Mitchell	The Walt Disney Company Ltd and Edinburgh Rapier University
Professor Philip Nelson, FREng	University of Southampton
Professor Rachel O'Reilly	University of Warwick
Professor Richard Owen	Exeter University
Professor John Pethica, FRS	Royal Society
Professor Lydia Plowman	University of Edinburgh
Mr Tim Radford	Independent
Professor Paul Raithby	University of Bath
Mr Martin Sadler, OBE	HP Labs
Dr Richard Seabrook, PhD, MBA	Wellcome Trust
Professor Mark Smith, PhD, MA	Lancaster University
Professor Nigel Titchener-Hooker, CEng, FICHEME, FREng	University College London
Professor Ian White	University of Cambridge
Professor Rhodri Williams	Swansea University
Professor Paul Younger, FREng, FICHEME, FICE, FGS, FNEMME, CGeol, CoSci, CoEng	University of Glasgow



Professor Philip Nelson, Accounting Officer
1 July 2014

REMUNERATION REPORT

UNAUDITED INFORMATION

Remuneration Policy

The remuneration of the Chief Executive of EPSRC is decided by a Remuneration Panel chaired by the Director General of Science and Research and approved by the BIS Permanent Secretary.

EPSRC's Council has established a Remuneration Committee to assess annually, the individual performance of the EPSRC staff on personal contracts, and decide, in the light of these assessments, the remuneration they shall receive. The Committee members are the Chair of EPSRC, Chair of the Resource Audit Committee and EPSRC's Chief Executive.

The remuneration of members of EPSRC's Council is reviewed annually by BIS.

Details of the service contracts of the Chief Executive and staff on personal contracts are given in the table below.

These individuals do not have any specific contractual rights for compensation on termination of their contract

Chief Executive and Directors	Contract Start Date	Contract End Date	Notice Period
Professor D Delpy*, Chief Executive	1 September 2007	31 March 2014	3 months
Mr A Emecz, Director	Permanent Contract	-	3 months
Dr L Thompson, Director	Permanent Contract		3 months
Mr A Lewis, Director	Permanent Contract	-	3 months

* Professor Dave Delpy left EPSRC on 31 March 2014 and has been replaced by Professor Philip Nelson. Professor Nelson joins EPSRC on secondment from University of Southampton on a fixed term contract of 4 years.

AUDITED INFORMATION

Salary and Pension Entitlements

The following section provides details of the remuneration and pension interests of the Chief Executive, Executive Leadership Team members and EPSRC Council members.

Remuneration

Chief Executive & Senior Staff	2013-14				2012-13			
	Salary £000 (a)	Bonus £000 (b)	Pension Benefits	Totals	Salary £000 (a)	Bonus £000 (b)	Pension Benefits	Totals
Professor D Delpy (b) Chief Executive	145-150	0-5 ¹	N/A	145-150	145-150	0-5 ²	N/A	150-155
Mr A Emecz (c) Director	80-85	0-5 ¹	45-50	130-135	75-80	0-5 ²	45-50	130-135
Mr A Lewis (c) Director	90-95	0-5 ¹	55-60	150-155	80-85	0-5 ²	60-65	145-150
Dr L Thompson (c) Director	80-85	0-5 ¹	55-60	140-145	70-75	0-5 ²	55-60	140-145

¹The Bonus for 13-14 is to be decided, the figures above are based on bonus relating to 12-13.

²Bonus paid during 12-13 relating to 11-12 performance.

	2013-14	2012-13 (Restated see f.iii)
Mid point of the band of highest paid Director	£147,500	£152,500
Median remuneration of EPSRC's staff	£28,975	£29,566
Ratio	5.09	5.16

- "Salary" includes gross salary, overtime, recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation.
- The Performance-related bonus and any change in salary are decided by a Remuneration Panel chaired by the Director General of Science and Research and approved by the BIS Permanent Secretary. Decisions on whether to award non-consolidated performance awards to Directors are made by the CEO in conjunction with the Remuneration Committee. Decisions are strictly performance based and made in accordance with Cabinet Office Guidance 'Senior Civil Service pay 2013-14' document published in March 2013 and Non-Consolidated Performance Related Pay (NCPRP) guidance set out in the Government's announcement in May 2010. Directors were awarded non-consolidated awards based on how well they achieved or exceeded their personal objectives given to them at the beginning of the appraisal period by the CEO and approved by the Remuneration Committee. In addition to the bonus disclosed in the table above, an additional appointment term bonus, in the range of £25k to £30k was paid during 2012-13.
- Performance-related bonuses and any changes in salary for these individuals are determined by the EPSRC Remuneration Committee on an annual basis. The EPSRC Remuneration Committee comprises the Chair of Council, the Chair of the Resource Audit Committee and EPSRC's Chief Executive.
- There has been an increase to the average annual earnings (excluding bonuses) for these members of staff of 4.05% between 2012-13 and 2013-14.
- There were no benefits in kind paid to any of these members of staff in 2013-14.

- f) (i) Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce.
- (ii) The banded remuneration of the highest paid director in EPSRC in the financial year 2013-14 was £147,500 (2012-13 £152,500). This was 5.09 (2012-13 5.16) times the median remuneration of the workforce, which was £28,975 (2012-13 £29,566). The change in median has arisen due to a decrease in the median staff salary of 2%.
- (iii) The banded remuneration of the highest paid director in EPSRC in the financial year 2012-13 has been restated as it now includes the bonus for 2012-13. This figure was not available for 2012-13.
- (iv) In 2013-14 no employee received remuneration in excess of the highest paid director (2012-13 none). Remuneration ranged from £17,858 to £90,000 (2012-13 £17,493 to £90,000).
- (g) The Professional Support Unit (PSU) was created in the year 2013-14. During 2013-14 Mr A Lewis, Director of Resources has been accountable to the EPSRC Accounting Officer for the delivery of service to EPSRC. A proportion of Mr Lewis' salary is recharged across the PSU Councils as part of the agreed charging process. A PSU recharge is necessary to ensure each of the Council's costs fairly reflect the services received. As staff costs are the largest component of PSU costs, the PSU recharge approach is based on a resource utilisation model.

Pension Benefits

Chief Executive, Directors and Associate Directors	Accrued pension at age 60 as at 31-03-14 or at date of leaving £'000	Real increase in pension at age 60 £'000	CETV at 31-03-14 £'000	CETV at 31-03-13 £'000	Real increase in CETV £'000
Professor D Delpy Chief Executive	-	-	-	-	-
Mr A Emecz Director	25-30 plus 75-80 lump sum	0-2.5 plus 5-7.5 lump sum	418	360	33
Mr A Lewis Director	30-35 plus 90-95 lump sum	2.5-5 Plus 7.5-10 lump sum	508	438	39
Dr L Thompson Director	35-40 With no lump sum	2-2.5 With no lump sum	637	551	48

Details of the Research Councils' Pension Scheme (RCPS) is included in Note 3 to the Accounts.

Research Council Pension Scheme (Unaudited Information)

The employees of EPSRC are offered membership to the Research Councils' Pension Scheme (RCPS) which is a defined benefit scheme funded from annual grant-in-aid on a pay-as-you-go basis. The RCPS is in all respects 'by-analogy' with the Principal Civil Service Pension Scheme, except that the employer's contribution is determined separately. The scheme provides retirement and related benefits based on final or average emoluments. Redundancy and injury benefits are administered and funded by the Council. The scheme is administered by the Research Councils' Joint Superannuation Service with the associated grant-in-aid managed by BBSRC.

Employees may be in one of four defined benefit scheme arrangements; either a 'final salary' scheme (classic, classic plus or premium); or a career average scheme (nuvos). Pensions payable are increased annually in line with changes in the Consumer Prices Index (CPI). The employer contribution rate is agreed by the RCPS Board of Management on the recommendation of the Government Actuary's Department (GAD) and is set at 26.0% of pensionable pay.

All public service pension schemes have been required to deliver savings following a review of public service pensions by Lord Hutton. These savings are equivalent to an average increase of 3.2% in employee contributions paid by most RCPS members. These increases were spread over three years, the first applied in April 2012, the second in April 2013 and the last due in April 2014

Employee contribution rates are as follows:

Annual Pensionable Earnings (full-time equivalent basis)	Classic Scheme		Premium, Classic Plus and Nuvos schemes		
	Current scheme contribution	Contribution from 1 April 2014	Current scheme contribution %	Contribution from 1 April 2014	
Up to £15,000	1.50	1.50	3.50		3.50
£15,001-£21,000	2.70	3.00	4.70		5.00
£21,001-£30,000	3.88	4.48	5.88		6.48
£30,001-£50,000	4.67	5.27	6.67		7.27
£50,001-£60,000	5.46	6.06	7.46		8.06
Over £60,000	6.25	6.85	8.25		8.85

The Cash Equivalent Transfer Value (CETV)

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 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 include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Research Councils' pension arrangements and for which the RCPS has received a transfer payment commensurate with 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 worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

The real increase in the value of the CETV

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

Council Members Remuneration

Council Chair and Council Member appointments are Ministerial Appointments made by the Secretary of State for BIS. The process for new appointments to the Council Chair and Council Members follows the best practice outlined in the Code of the Commissioner for Public Appointments. This is available at www.publicappointmentscommissioner.independent.gov.uk. In accordance with the Code, vacancies are advertised nationally and a panel, including independent members, oversees the process. The panel reviews all applications, shortlists and interviews then makes a recommendation to the Secretary of State. Once the Secretary of State has made a final decision, an offer of appointment is issued by BIS on his behalf to the successful candidate.

Council Chair and Council Members are defined as Office Holders. They are neither employees nor civil servants. Appointments are made for four years initially with the possibility of reappointment for up to a further four years. Appointments are non-pensionable and there is no compensation for loss of office.

Council members receive an honorarium in recognition of their service to EPSRC, together with a refund of their reasonable expenses. Members of Council who are civil servants are not entitled to receive an honorarium.

Council Members	Period Of Appointment	2013-14 Remuneration £	2012-13 Remuneration £
Dr Paul Golby(Chair), CBE, FEng	01/04/12 - 31/03/16	15-20	15-20
Professor Anne Anderson, OBE	01/04/08 - 31/03/15	5-10	5-10
Professor Andrew Blake, FRS, FEng	01/04/12 - 31/03/16	5-10	5-10
Jack Boyer	01/04/11 - 31/03/15	5-10	5-10
Professor Lord Ara Darzi, PC, KBE, FRS, FMedSci, HONFEng	01/11/13 - 31/10/17	0-5	-
Professor Anthony Finkelstein, FEng, FCGI, MAE	01/04/13 - 31/03/17	5-10	-
Professor John Fisher, CBE, FEng, FMedSci, FIMechE, FIPEM, CEng, CSi	01/04/11 - 31/03/15	5-10	5-10
Professor Sir Richard Friend, FRS, FEng	01/04/12 - 31/03/16	5-10	5-10
Professor Vernon Gibson FRS*	01/12/12 - 30/11/16	-	-
Professor Andrew Hamilton, FRS	01/04/11 - 31/03/15	5-10	5-10
Professor Richard Jones, FRS	01/04/13 - 31/03/17	5-10	-
Professor Dame Julia King, DBE, FEng	01/04/12 - 31/03/16	5-10	5-10
Dr Helen Neville, RSC	01/04/13 - 31/03/17	5-10	-
Rt Hon Baroness Pauline Neville-Jones, DCMG, PC	01/11/13 - 31/10/17	0-5	-
Professor John Perkins, CBE, FEng*	01/03/12 - 31/01/15	-	-
Professor Roy Sambles, FRS**	01/04/08 - 31/03/14	5-10	5-10
Dr David Watson, FEng	01/04/09 - 31/03/16	5-10	5-10
Professor Jeremy Watson, CBE, FEng	01/04/11 - 31/03/15	5-10	0-5

*Remuneration not payable as member works in the Civil Service

**Chair of EPSRC Resource Audit Committee



Professor Philip Nelson, Accounting Officer

1 July 2014

STATEMENT OF RESPONSIBILITIES

STATEMENT OF THE RESPONSIBILITIES OF THE ENGINEERING AND PHYSICAL SCIENCES RESEARCH COUNCIL AND OF ITS CHIEF EXECUTIVE WITH RESPECT TO THE FINANCIAL STATEMENTS

Under Paragraph 3 of Schedule 1 to the Science and Technology Act 1965, the Secretary of State for BIS, with the approval of HM Treasury, has directed EPSRC 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 EPSRC and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year

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

BIS has appointed the Chief Executive as the Accounting Officer of EPSRC. 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 EPSRC's assets, are set out in Managing Public Money published by HM Treasury.

GOVERNANCE STATEMENT

EPSRC GOVERNANCE STATEMENT 2013-14

Headline

This Governance Statement sets out my assessment of EPSRC's potential vulnerabilities and capability to deal with the challenges facing us in our operating environment.

Scope of responsibility

As Accounting Officer, I have personal responsibility for maintaining a sound system of governance and internal control, which supports the achievement of EPSRC's policies, aims and objectives. I also safeguard the public funds and EPSRC assets for which I am responsible, ensuring they are properly accounted for and used economically, efficiently and effectively, in accordance with 'Managing Public Money' and the requirements set out in the Management Statement and Financial Memorandum agreed between EPSRC and its sponsoring department, the Department for Business, Innovation and Skills (BIS). I am supported in my role as Accounting Officer by a governance framework which includes the Council, its Committees and Senior Management.

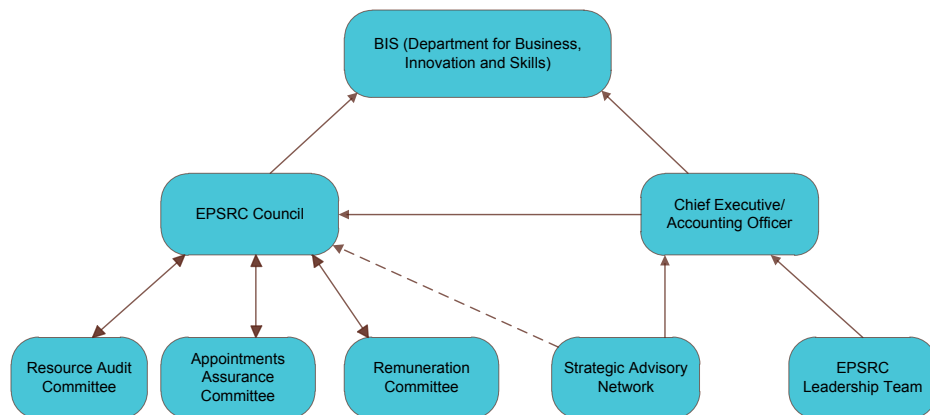
In forming my assessment I have examined the following sources of information:

- All council and committee meeting minutes;
- The work of internal audit, including work undertaken to evaluate funding assurance in UK universities and the operation of UK SBS Ltd;
- The assessments of my individual directors as covered in their stewardship reports.

Governance Framework

EPSRC is governed by its Council which establishes and agrees the overall strategic direction of EPSRC including its mission, aims, objectives and targets, as set out in its Royal Charter, Strategic and Delivery Plans. The Council also reviews regular financial reports on the management and performance of EPSRC ensuring that appropriate action is taken to address any concerns identified, thus ensuring the good financial management of EPSRC. The Council also monitors the overall EPSRC risk profile as well as individual risks carrying a high degree of threat.

In carrying out this work the Council is advised by the Resource Audit Committee and Appointments Assurance Committee. The Council sets the vision and strategic direction for EPSRC. The responsibility for carrying out key strategy is delegated to me as the Chief Executive. A diagram of the EPSRC's governance structure follows.



In 2013-14 the council met six times and discussion, among other matters, included:

- Bidding plans for the government's 2013 Spending Review and subsequent Delivery Plan;
- New plans in Quantum Technologies and Big Data;
- Partnership with the Technology Strategy Board;
- Centres for Doctoral Training;
- Reviews of Council's own effectiveness, peer review & its strategic advisory structure.

Council members are recruited through advertisement in the national press, with oversight provided by the Office of the Commissioner for Public Appointments (OCPA), and final appointments are subject to Ministerial approval. Members of Council and EPSRC's committees, are listed on pages 13, 14 and 15.

An independent review of Council effectiveness was undertaken in 2013-14 and discussed at the December meeting of Council. The conclusion was that the Council was working well and stands well in comparison with analogous bodies, nationally and internationally. A sub-group of Council will be working with the Executive to take forward some areas of suggested improvement in 2014-15.

The Resource Audit Committee, which includes independent members in addition to Council members, normally meets four times a year. In 2013-14 there was an extra meeting to discuss EPSRC's potential future year allocations. Members are appointed by Council.

The Committee provides assurance to Council and me, as Accounting Officer, by reviewing the adequacy and effectiveness of EPSRC's framework of governance, risk management and controls; reviewing the annual accounts, and accounting policies, on behalf of Council and overseeing the outcomes of work by the internal and external auditors.

The Resource Audit Committee supports discussion at Council through updates and briefings from the Chair of Resource Audit Committee who is also a Council member.

It is planned to undertake an effectiveness review of Resource Audit Committee in 2014-15 under the new chairmanship with input from the departing chair.

The attendance of members at Council and the Resource Audit Committee, for which they were eligible to attend, can be found in the table overleaf with 2012-13 comparative figures for the total shown in brackets.

EPSRC Leadership Team (ELT), comprises myself as Chief Executive, Directors and Associate Directors and is the executive body for EPSRC. It meets regularly and is responsible for managing EPSRC operations and finances in line with EPSRC's 2011-15 delivery plan, as well as monitoring associated risks.

The Remuneration Committee is responsible for advising the Council on matters relating to the remuneration of Directors and other pay-related matters for senior staff. BIS determine the salary for my role as Chief Executive.

The Appointments Assurance Committee is a sub-committee of council formed in January 2014. It is responsible for reviewing the adequacy and robustness of the nomination and selection processes and confirming new appointments to the Resource Audit committee and to EPSRC's strategic advisory bodies (Strategic Advisory Network and Strategic Advisory Teams). In addition, this sub-committee will also provide advice to Council on its own composition and assist with the development of recruitment specifications for Council vacancies.

Name	Attendance at Council	Attendance at Resource Audit Committee
Professor Anne Anderson	6 out of 6	
Professor Andrew Blake	5 out of 6	
Mr Jack Boyer	5 out of 6	
Professor Lord Ara Darzi	2 out of 3	
Professor David Delpy	6 out of 6	
Ms Rosie Drinkwater		5 out of 5
Professor Anthony Finkelstein	5 out of 6	1 out of 2*
Professor John Fisher	6 out of 6	
Professor Sir Richard Friend	6 out of 6	
Professor Vernon Gibson	2 out of 6	
Dr Paul Golby	6 out of 6	
Professor Andrew Hamilton	5 out of 6	
Professor Richard Jones	6 out of 6	0 out of 2*
Professor Dame Julia King	5 out of 6	0 out of 3
Dr Helen Neville	5 out of 6	
Rt Hon Baroness Pauline Neville-Jones	3 out of 3	
Professor John Perkins	6 out of 6	
Professor Roy Sambles	6 out of 6	5 out of 5
Mrs Caroline Walker		4 out of 5
Dr David Watson	5 out of 6	4 out of 5
Professor Jeremy Watson	6 out of 6	2 out of 5
Total 2013-14	89%	66%
Total 2012-13	(75%)	(83%)

* non-attendance was due to commitments made prior to appointment to RAC on 1 January 2014.

The Strategic Advisory Network (SAN) provides the Executive of EPSRC with strategic advice that will assist us to develop, implement and modify plans, and to make appropriate recommendations to our Council. The Network is devised as a flexible resource, enabling the Executive to obtain the advice it needs in a timely manner, and drawing on a range of perspectives from across our key stakeholder groups including academia, business, third sector and Government.

The SAN is made up of around thirty prominent and highly regarded individuals from EPSRC's stakeholder groupings. Members have an established record of achievement and bring a broad strategic view to bear. Members bring expertise from their own background, but are required to advise across the breadth of EPSRC's portfolio.

In 2012-13 the Audit and Assurance Services Group (AASG) undertook a review of EPSRC's compliance with the policies set out in the Cabinet Office 'Principles of Good Corporate Governance in Executive Non-Departmental Public Bodies', and received Substantial Assurance. EPSRC continues to comply with the principles identified by the Cabinet Office with due recognition of the recommendations made within the report.

UK Shared Business Services Ltd (UK SBS Ltd) formerly RCUK SSC Ltd

UK SBS Ltd provides operational and transactional services to EPSRC covering Finance, Human Resources, Information Systems, Procurement and Payroll. A review of UK SBS Ltd service delivery and the associated assurance issues are covered elsewhere within the Governance Statement.

Professional Support Unit (PSU)

The PSU came into being on 2 April 2013 with staff co-locating on 7th October 2013. The PSU is responsible for providing the following professional services to AHRC, EPSRC and ESRC (the three Councils):

- Finance;
- Human Resources;
- Information Technology;
- Project Management;
- Reprographics.

In addition to providing a professional service in the above areas, the purpose of the PSU is to deliver economies of scale, reduce costs and harmonise policies and processes on behalf of the three Councils.

Also, with the creation of UK SBS Ltd the small number of retained staff in Finance and HR left them vulnerable to single points of failure. The creation of the PSU has led to the establishment of a critical mass of professional support to the three councils as well as helping to create meaningful professional career paths and opportunities.

The Head of PSU acts as the Director responsible for service provision to each of the three Councils. During 2013-14 reports were presented by the Head of PSU to the Resource Audit Committee which discussed governance issues and provided the opportunity for the Resource Audit Committee to raise issues and ask questions. Delegation letters were issued to the PSU Senior Management Team in October 2013.

The professional services provided by PSU in 2013-14 were managed by the PSU Senior Management Team with the level and scope of support covered in the PSU Service Agreement.

In 2014-15 the PSU will be overseen by a Management Board, made up of the Chief Executive Officers of the three Councils who will meet three times a year. A Risk Register has been produced covering the PSU and will be reviewed by the Management Board at each meeting. The Head of PSU will also provide quarterly reports for the Management Board to provide assurance on the level of service being delivered and the risks being managed.

During 2013-14 the PSU has provided a high level of professional support to the three Councils. Work will continue in 2014-15 to ensure that the high standard of professional support continues and that the PSU fully engages with the three Councils to develop further the partnership arrangement and to explore and maximise the available benefits.

Risk management

EPSRC's Risk Management Framework, in place for 2013-14, is based on the guiding principles of managing risk within the public sector but takes into account EPSRC's structure, processes and culture. EPSRC operates in a low risk environment with an internal control framework appropriate for a public sector organisation. EPSRC has established a risk register which is reviewed regularly against the level of risk that EPSRC is prepared to accept, having regard to its aims and objectives. Risks considered to be at the highest level are escalated to Council for consideration.

Our role is to support independent, high quality research and postgraduate training, as well as the impact that engineering and physical sciences research can have in the business, public and third sectors. At any one time we support a significant number of researchers and postgraduate students in academic institutions and independent research institutes. Whilst the research we fund can, by its pioneering and innovative nature, have significant risk we have a very low risk appetite in terms of the way we conduct our business. We work only with eligible research institutions in the UK and make investment decisions using a transparent peer review process, details of which can be found at: www.rcuk.ac.uk/research.

EPSRC's risk management process is designed to manage risk and not eliminate it. The quarterly review process allows risk owners to comment on mitigation actions and provide assurance that risks are being managed.

Strategic risks are identified through the ELT and regularly reviewed by the Resource Audit Committee and Council, who pay particular attention to those highlighted as significant high-level risks. It is through this review process that EPSRC is able to manage the key headline risks that impact on the delivery of EPSRC's programmes and operations and enables mitigating actions to be agreed and implemented.

Risk reports have been regularly reviewed by Council and the Resource Audit Committee who have been satisfied with the management of EPSRC risk during 2013-14. In addition during 2013-14, both Council and the Resource Audit Committee received specific reports on a number of EPSRC business critical projects that have enabled strategic discussions about progress and future direction. Operationally, the most significant risks for EPSRC are the challenges posed by the shared services environment. In the main these are:

- UK SBS Ltd expansion;
- Oracle Version Upgrade;
- Research Funding Programme;
- Migration of UK SBS Ltd to STERIA.

If these risks crystallise, EPSRC, with limited spare capacity and reducing administrative budget, will find it very difficult to continue with its business of funding world leading research in a timely fashion. Also, the allocation of flat cash to programme budgets creates additional delivery pressures. EPSRC closely monitors developments in these areas with strong representation on the appropriate governance groups. Developments are regularly reported to the Resource Audit Committee and Council in detail.

Overall, I am satisfied that, with effective input from Resource Audit Committee and Council, risk is being managed successfully within EPSRC.

Other Key Governance Activities

Pay Remit

Pay setting arrangements throughout the civil service are set out in guidance issued by HM Treasury, however in respect of the 2013-14 pay remit EPSRC did not follow all of the requirement. We will review the internal processes to ensure compliance in the future.

Data Security

EPSRC is committed to safeguarding information and personal data. During 2013-14, no personal data related incidents were reported to BIS.

EPSRC has in place a system of control for Information Risk with exceptions and areas of concern being noted in our annual return to BIS. EPSRC is compliant with the relevant requirements set out in the Security Risk Management Overview that feeds into the HMG Security Policy Framework.

The return properly reflects an assessment of specific Information Assurance risk areas that are consistent with EPSRC's risk appetite as recorded in the Council's Risk Register.

All review processes and outcomes have been validated by the Audit and Assurance Services Group.

During 2013-14 eLearning covering Data Protection and Government Security Classifications has been rolled out to all EPSRC staff.

Transparency

EPSRC is committed to the Transparency Agenda introduced by the Government to allow visibility of how public funds are used and managed. I can confirm compliance with all the disclosure requirements which are made on our website and which are referenced on the DATA.GOV.UK website. The transparency disclosure made by EPSRC covers:

- EPSRC organisation structure;
- Staff salaries and senior posts;
- Government Procurement Card transactions;
- All expenditure.

Ministerial Directions

There were no Ministerial directions given in 2013-14.

Tax arrangements of public sector appointees

The Alexander Review, published in May 2012, made a number of recommendations to ensure that the highest standards of integrity could be demonstrated in the tax arrangements of senior public appointees. I can confirm that all of EPSRC's senior staff are all paid through the payroll and that arrangements are in place through retained HR to provide assurance that appropriate tax arrangements are in place to cover any other appointees covered by the report.

In 2013-14 EPSRC identified sixteen contractors who fell within the Alexander Review criteria. EPSRC has sought and gained assurance that the appropriate tax arrangements are in place for the contractors identified.

Council members are 'office holders' as defined within HMRC guidance, and their remuneration is subject to Pay as you Earn (PAYE) with income tax and employee National Insurance Contributions (NICs) deducted at source through the payroll.

As such, EPSRC is in compliance with the recommendations in the HM Treasury 'Review of the tax arrangements of public sector appointees' published in May 2012.

Macpherson Review

The review of quality assurance of Government analytical models undertaken by Sir Nicholas Macpherson and published by HM Treasury in March 2013 made a number of recommendations for government departments and their Arm's Length Bodies. Following this review, EPSRC reviewed its use of analytical modelling and did not identify any that were considered to be business critical. This was communicated to BIS and I can confirm that EPSRC complies with the requirements set out in Howard Orme's letter dated 15 May 2013.


Austerity Measures

EPSRC has robust control processes, checks and reporting arrangements in place to review and manage expenditure in keeping with the austerity measures introduced by Government in May 2010.

Regularity and Propriety

EPSRC is committed to establishing and applying appropriate regularity and propriety standards, including applying appropriate cultures and behaviours and does not tolerate any form of fraud, bribery and/or corruption. It is important that we are able to withstand both internal and external scrutiny and key components in this regard are the Council's existing policies on:

- Counter Fraud;
- Whistle-Blowing;

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- Conflicts of Interest;
 - Gifts and Hospitality.

EPSRC requires all staff, including Council and groups within the governance structure to act honestly and with integrity and to safeguard the public resources for which they are responsible.

EPSRC's counter fraud policy was refreshed in 2013-14 and made available to all staff on the Intranet ensuring that there is an awareness of their responsibilities to report fraud and the process by which to do so. Also, e-learning awareness training covering counter fraud and bribery was rolled out to EPSRC staff in 2013-14.

The PSU Head of Risk and Assurance also attends the BIS Counter Fraud Working Group where best practice is shared and current fraud issues discussed.

In 2013-14 AASG undertook a cross Council audit on Fraud Management with EPSRC receiving *substantial assurance*. A number of recommendations were made which are being implemented. A harmonised fraud policy across the Research Councils is a recommendation that has been accepted and which will be taken forward for 2014-15.

As a consequence of the Cabinet Office Fraud & Error Mandate and in common with the other Research Councils and UK SBS Ltd, EPSRC has undertaken reviews for fraud and error which has resulted in:

- Board level Counter fraud & Error accountability;
- Fraud & Error Capacity assessment;
- Fraud & Error risk assessment;
- Fraud & Error Action Plan;
- A cross Council harmonised Whistleblowing Policy.

These reviews represent EPSRC's continued approach to Managing Risk of Financial Loss. The outcome of the review was that there were no high risks of fraud and error but the plan identified some areas where improvements should be made.

I can confirm that for 2013-14:

- Neither I nor my staff authorised a course of action, the financial impact of which is that transactions infringe the regulatory requirements as set out in Managing Public Money;
- There were no novel, contentious or repercussive transactions that required BIS or Treasury approval;
- There were no instances of fraud identified within EPSRC or within UK SBS Ltd which impacted on EPSRC.

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of governance, risk management and other internal controls at the EPSRC to ensure a sound system of internal control is being maintained. In 2013-14 this review has been informed by the work of the EPSRC's Directors, the Resource Audit Committee, the internal audit service provided by AASG, comments from the external auditors and cross-Council assurance programmes.

EPSRC Directors

EPSRC Directors have responsibility for the development and maintenance of the internal control framework and provide me with an annual report on their stewardship and management of internal control. Whilst some issues have been raised, which will be addressed during 2014-15, I am content that the 2013-14 reports provide me with reasonable assurance that a sound internal control framework is in place.

Resource Audit Committee

I have examined the reports of the Resource Audit Committee meetings including their review of internal controls, governance and risk management processes. I also attend all Resource Audit Committee meetings and other than the UK SBS Ltd issues, which are covered below, no issues have been raised with me by the committee.

Internal Audit

Internal Audit is provided by AASG. The Director of AASG is required to provide me with an opinion on the overall adequacy and effectiveness of EPSRC's framework of governance, risk management and internal control. This opinion is informed by the internal audit work completed during the year, in line with the internal audit plan agreed by management and the Resource Audit Committee. The work of AASG provides assurance in three areas: core EPSRC activities, which account for 50% of the overall assurance opinion; cross Council activities with an EPSRC involvement, which account for 20% of the overall assurance opinion; and processes shared by EPSRC and UK SBS Ltd, which account for 30% of the overall assurance opinion.

In 2013-14 AASG were able to provide EPSRC with an overall *Substantial Level of Assurance* on the adequacy and effectiveness of EPSRC's controls and governance processes.

During the year a number of audits and assurance work were undertaken within the three blocks of activity. The implementation of recommendations that relate specifically to EPSRC are monitored by PSU with progress reports presented to each Resource Audit Committee meeting

Block 1 - Core EPSRC Audits

The Core audits undertaken in 2013-14 were:

- Evaluation and Impact ;
- Research Programme Management ;
- Demand Management ;
- Management Information – Utilisation of External Data ;
- Relationship Management: Strategic Partnerships and Framework Universities .

All recommendations in relation to the above audits have been accepted with implementation plans in place.

Block 2 - UK SBS Ltd Shared Audits

In 2013-14 AASG carried out an agreed programme of assignments covering Business Process Audits (BPA) and Controls Security Framework Audits (CSF).

The BPA audits review the end to end processes shared by UK SBS Ltd and the Research Councils, specifically reviewing the 'control design' and 'control effectiveness'. All BPA audits received Substantial Assurance, compared to 86% in 2012-13. AASG have indicated that there remain issues with the quality of Master Data which supports the Purchase to Pay and Order to Cash processes which will continue to be monitored in 2014-15.

The CSF audits underpin the end to end processes and a number of key areas relating to 'Change Control', 'Master Data Maintenance' and 'Database Security and Control' within UK SBS Ltd continue to receive Limited Assurance. Action plans and monitoring are now in place at UK SBS to address these issues. However, a significant control weakness remains open at year-end in respect of UK SBS not having full disaster recovery arrangements covering all information systems and arrangements that are in place have not been fully tested.

Block 3 - Cross Council Audits

In 2013-14 AASG carried out eighteen cross Council activities. Whilst five of the audits received *Limited Assurance* it is the view of AASG that none of these represented significant control weaknesses requiring disclosure within the Governance Statement. Where recommendations relate specifically to EPSRC their implementation is closely monitored by PSU. The recommendations of a cross Council nature are monitored through the cross Council Risk & Assurance Network or through the appropriate functional governance group within the Councils.

AASG have commented that IT governance, risk management and control operate against a number of challenges facing organisations globally. In 2012-13, based on a risk index profiling model, the risk profile was assessed as High. The Limited Assurance in these areas for 2013-14 within Blocks 2 and 3 will have resulted in a decline in realised assurance. The 2014-15 audit programme will address this by including increased focussed coverage to assist in raising the assurance profile in this area and to follow-up actions taken in relation to previous audit recommendations.

I am concerned that the Limited Assurance provided by internal audit work within Block 2 and over the UK SBS elements of the IT related audits within Block 3 represents an area of risk for EPSRC which I am not able to manage directly. I therefore rely on the Accounting Officer of UK SBS to provide me with an appropriate annual assurance in these areas and note that AASG have increased coverage in this respect for 2014-15.

Cross Research Council Funding Assurance Programme (FAP)

Funding assurance activities, which are part of the AASG's remit, focus on the regularity of expenditure for research grants. These activities focus on substantive testing of the control environment within research organisations and its effectiveness in ensuring compliance with the Research Councils' terms and conditions that accompany funding streams. In 2013-14, thirty six assurance assignments were undertaken, comprising of fifteen visits, three enhanced desk based reviews and eighteen desk based reviews. This programme is an important element in the risk management framework for EPSRC and findings for the year indicate that a satisfactory level of assurance can be reported based on the work undertaken.

UK SBS Ltd Assurance

UK SBS Ltd provides processing services in human resources, procurement, payroll, finance, grants and IT to all seven Research Councils. During 2013-14 work was ongoing to develop further the security and controls framework operating between the Research Councils and UK SBS Ltd.

The Annual Governance Statement (AGS) records the level of assurance received in respect of the work carried out by UK SBS Ltd on behalf of the Research Councils. In past years, this assurance has been recorded through the AASG report and commentary from the Research Councils' Client Services Group (CSG), which oversaw the UK SBS Ltd/Research Council relationship and provided a report for the AGS. Reports on AASG activity and CSG's review are still included in this AGS but the CSG role has altered as direct ownership and control of UK SBS Ltd has passed from the Research Councils to BIS.

This year, the Chief Executive Officer of UK SBS Ltd has provided assurance directly to Research Council Accounting Officers. In a letter dated 28 February 2014, the CEO provided a personal assurance that the shared service had operated properly during the year. The letter provides a detailed commentary in ten specific areas listed below.

- Significant challenges faced by the business in 2013-14.
- Progress against audit recommendations.
- UK SBS Ltd's Risk Management and Internal Control and Compliance Arrangements.
- UK SBS Ltd's performance against its Critical Performance Indicators (CPI).

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- Counter Fraud.
 - Information Security and Data Security.
 - IT Challenges and the effectiveness of the UK SBS Ltd's Security Arrangements.
 - The Client Governance Forums.
 - Internal Audit Annual Assurance Statement.
 - Significant challenges the business expects to face in the course of financial year 2014-15.

The letter also states that UK SBS Ltd will be reviewing its current Internal Audit provision during 2014-15. UK SBS Ltd recognise that the challenge here will be to develop an audit plan and audit approach which meets the Company's needs but also satisfies the assurance requirements of its customers.

Overall Assurance

The letter highlights positive improvements in system controls and acknowledges that significant challenges remain. Whilst much needs to be done, UK SBS Ltd has concluded that risks have generally been managed to an acceptable level.

I note the content of the UK SBS Ltd letter and welcome it as a source of assurance for this and future years. I also note the observations made by AASG in relation to the CSF framework and the potential for interruption during the Oracle upgrade and other potential changes in the UK SBS Ltd business environment.

Nevertheless, I expect the positive improvement to continue and as a result, the level of assurance to improve.

External Audit

I have reviewed comments made by our external auditors, the National Audit Office, in their 2012-13 Audit Completion Report and am satisfied that EPSRC has taken the actions required to address the audit findings.

Conclusion

The conclusion of my review is that EPSRC's overall governance, risk management and internal control structures are sound and ensure that public money is properly accounted for and used economically, efficiently and effectively. I can provide assurance that the governance and control structures in place support the achievement of EPSRC's policies, aims and objectives and that effective plans for continuous improvement are in place.

In signing this Governance Statement I have received assurance from EPSRC's previous Accounting Officer that it accurately reflects EPSRC's position for 2013-14.



Professor Philip Nelson, Accounting Officer

1 July 2014

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

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

Respective responsibilities of the Council, Accounting Officer and auditor

As explained more fully in the Statement of the Responsibilities of the Council's and Chief Executive with Respect to the Financial Statements, the Council 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 Engineering and Physical Sciences Research Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Engineering and Physical Sciences Research Council; 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

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

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Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Science and Technology Act 1965; and
- the information given in the Management Commentary and Membership Lists for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General
3 July, 2014

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

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Statement of Account

ENGINEERING AND PHYSICAL SCIENCES RESEARCH COUNCIL STATEMENT OF COMPREHENSIVE NET EXPENDITURE

For the year ended 31 March 2014

	Notes	2013-14 £000	2012-13 £000
EXPENDITURE			
Research	4	639,365	583,126
Energy Technologies Institute LLP	5	13,565	12,251
UK Research Facilities	6	15,938	11,985
International Subscriptions	7	596	542
Postgraduate Awards	8	172,053	174,703
Research Fellowships	9	54,137	51,269
Staff Costs	10	11,674	11,129
Other Expenditure	11	25,228	16,795
Impairment of Joint Venture	14	-	608
*Notional Service Charges	11	3,516	4,012
Total Expenditure		936,072	866,421
INCOME			
Other Operating Income	3	(28,823)	(30,061)
Net Expenditure		907,249	836,360
Other Comprehensive Expenditure			
Net (Gain)/Loss on Revaluation of Property Plant and Equipment	12	(158)	(2,300)
Total Comprehensive Expenditure for the year ended 31 March 2014		907,091	834,060

*The UK Shared Business Services Ltd charges ceased to be monthly charges in 2013-14 and are now deducted from EPSRC's allocation from BIS. To enable comparability in the accounts, the prior year costs have been separately disclosed. They were previously reported under Other Expenditure.

The Notes on pages 38 - 60 form part of these Accounts.

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Statement of Account continued

ENGINEERING AND PHYSICAL SCIENCES RESEARCH COUNCIL STATEMENT OF FINANCIAL POSITION

	Notes	As at 31 March 2014 £000	As at 31 March 2013 £000
NON-CURRENT ASSETS			
Property, Plant and Equipment	12	27,731	20,108
Intangible Assets	13	379	183
Investment in Joint Venture	14	-	-
Total Non-Current Assets		28,110	20,291
CURRENT ASSETS			
Trade and Other Receivables	15	38,445	22,784
Cash and Cash Equivalents	16	13,920	13,920
Total Current Assets		52,365	36,704
Total Assets		80,475	56,995
CURRENT LIABILITIES			
Trade and Other Payables	17	(67,579)	(78,790)
Provisions for Liabilities and Charges	18	-	-
Total Current Liabilities		(67,579)	(78,790)
NON CURRENT LIABILITIES			
Provisions for Liabilities and Charges		-	-
Assets Less Liabilities		12,896	(21,795)
TAXPAYER'S EQUITY			
Revaluation Reserve		1,500	3,331
General Reserve		11,396	(25,126)
		12,896	(21,795)



Professor Philip Nelson, Accounting Officer

1 July 2014

The Notes on pages 38 - 60 form part of these Accounts.

ACCOUNTS

Statement of Account continued

ENGINEERING AND PHYSICAL SCIENCES RESEARCH COUNCIL STATEMENT OF CASH FLOWS

For the year ended 31 March 2014

	Notes	2013-14 £000	2012-13 £000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Expenditure after Interest		(907,249)	(836,360)
ADJUSTMENTS FOR NON-CASH TRANSACTIONS			
Amortisation	13	30	6
Depreciation	12	15,617	10,426
Impairment	12,13	22	(124)
Impairment of Joint Venture	14	-	608
Gain on Disposal		(15)	-
Decrease in Provisions	18	-	(672)
Increase Trade and other Receivables	15	(15,661)	(6,582)
Decrease in Trade and other Payables	17	(11,212)	(8,757)
Net Cash Outflow from Operating Activities		(918,468)	(841,454)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	12	(23,117)	(113)
Purchase of Intangibles	13	(226)	(183)
Disposal of Share in Joint Venture	14	-	3,151
Disposal of Property, Plant and Equipment	12	28	1
Net Cash Inflow/(Outflow) from Investing Activities	-	(23,315)	2,856
Net Cash Outflow before Financing		(941,783)	(838,598)
CASH FLOWS FROM FINANCING ACTIVITIES			
Grant-in-Aid Received from BIS for Revenue Expenditure		757,647	787,151
Grant-in-Aid Received from BIS for Capital Expenditure		150,620	61,849
Grant-in-Aid Received from BIS (non DEL)		30,000	-
*Notional Service Charges		3,516	-
Net Cash Flows from Financing Activities		941,783	849,000
Net Increase/(Decrease) in Cash and Cash Equivalents in the period		-	10,402
Cash and Cash Equivalents at the Beginning of the Period	16	13,920	3,518
Cash and Cash Equivalents at the End of the Period	16	13,920	13,920

*The UK SBS Ltd charges are now a notional cost, as they are directly funded through BIS. As such from 2013-14 they are now disclosed under Financing Activities. In 2012-13 they were paid by EPSRC and would have been included in Operating Activities.

The Notes on pages 38 - 60 form part of these Accounts.

ACCOUNTS

Statement of Account continued

ENGINEERING AND PHYSICAL SCIENCES RESEARCH COUNCIL STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

For the year ended 31 March 2014

	Revaluation Reserve £000	General Reserve £000	Total Reserves £000
Balance at 1 April 2012	1,962	(38,697)	(36,735)
Net Gain on Revaluation of Tangible and Intangible Assets	2,300	-	2,300
Grant-in-Aid Received from BIS for Revenue Expenditure	-	787,151	787,151
Grant-in-Aid Received from BIS for Capital Expenditure	-	61,849	61,849
Transfer Between Reserves	(931)	931	-
Net Expenditure for the Year	-	(836,360)	(836,360)
Balance at 31 March 2013	3,331	(25,126)	(21,795)
Balance at 1 April 2013	3,331	(25,126)	(21,795)
Net Gain on Revaluation of Tangible and Intangible Assets	158	-	158
Grant-in-Aid Received from BIS for Revenue Expenditure	-	757,647	757,647
Grant-in-Aid Received from BIS for Capital Expenditure	-	150,620	150,620
Grant-in-Aid Financing Received in year (non DEL)	-	30,000	30,000
Notional Service Charges	-	3,516	3,516
Transfer Between Reserves	(1,989)	1,988	1
Net Expenditure for the Year	-	(907,249)	(907,249)
Balance at 31 March 2014	1,500	11,396	12,896

The Notes on pages 38 - 60 form part of these Accounts.

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Notes to the EPSRC's Accounts

1. STATEMENT OF ACCOUNTING POLICIES

a) Basis of Accounting and Accounting Convention

The Accounts have been prepared in accordance with a direction given by the Secretary of State with the approval of HM Treasury in pursuance of Section 2 (2) of the Science and Technology Act 1965.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and meet the accounting and disclosure requirements of the Companies Act 1985 and the accounting and financial reporting standards issued or adopted by the International Accounting Standards Board as interpreted for Government use by the Financial Reporting Manual (FReM) and in so far as these requirements are appropriate. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the EPSRC for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Council are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment and intangible assets, where material.

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

b) Going Concern

These Financial Statements 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 EPSRC can be expected to have access.

On 20 December 2010 David Willetts, Minister for Universities and Science, announced the EPSRC's financial allocations for 2011-12 through to 2014-15 as part of the Comprehensive Spending Review (CSR). Programmes allocations were fixed for the CSR period but the Administration allocation is confirmed on an annual basis.

Confirmation of the 2014-15 Administration allocation was received in April 2014. The programme allocation has also been confirmed for 2015-16 although future years Administration costs have not been communicated. However EPSRC has no reason to believe that future funding from BIS will not be forthcoming.

The Triennial Review of the Research Councils was published by BIS in April 2014. The review, which examined the form, function and governance of the UK's seven Research Councils recognised that the Councils are at the heart of UK science, research and innovation and play a vital role in driving academic success and the associated economic benefit. The review has also confirmed that the current number and structure of the seven Research Councils is right. Many of the recommendations have already been implemented and EPSRC are working alongside the other Councils and BIS to implement the remainder as soon as possible. Therefore the accounts are produced on a going concern basis.

c) Adoption of Standards and Changes in Policy

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

IAS 1 Presentation of Financial Statements (effective for periods beginning on or after 1 June 2012) – The amendments to IAS 1 revises the way other comprehensive income is presented, requiring separate subtotals for those elements which may be 'recycled' (e.g. cash-flow hedging, foreign currency translation), and those elements that will not.

IAS 19 Post-Employment Benefits (effective for periods beginning on or after 1 January 2013) – The amendment to IAS 19 introduces a number of changes regarding recognition, presentation and the

ACCOUNTS

Notes to the EPSRC's Accounts continued

disclosures. It also modifies accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment.

d) Effective for Future Financial Years

The IASB and IFRIC issued certain standards and interpretations with an effective date after the date of these financial statements. Where these changes are relevant to EPSRC'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 EPSRC's reported income or net assets in the period of adoption.

IFRS 7 Financial instruments: Disclosures (effective for periods beginning on or after 1 January 2013) Amendment to the offsetting of financial assets and financial liabilities. The EPSRC does not expect this change will impact the accounts or require any additional disclosures.

IFRS 9 Financial Instruments (effective for periods beginning on or after 1 January 2015) – IFRS 9 is a replacement for IAS 39 and introduced new requirements for the classification and measurement of financial assets. EPSRC will undertake an assessment of the impact of IFRS 9 once the full requirements are known.

IFRS 13 Fair value Measurement (effective for periods on or after 1 January 2013) – IFRS 13 has been issued to provide a single source of guidance for fair value measurement. The standard does not include requirements on when fair value measurement is required; it prescribes how fair value is to be measured if another standard requires it.

IAS 19 Post-Employment Benefits (effective for periods beginning on or after 1 January 2013) – The amendment to IAS 19 introduces a number of changes regarding recognition, presentation and the disclosures. It also modifies accounting for termination benefits, including distinguishing benefits provided in exchange for service and benefits provided in exchange for the termination of employment.

e) Financing and Income

The FReM requires Non-Departmental Public Bodies to account for Grant-in-Aid as financing. In the EPSRC's case this includes Grant-in-Aid from the Department for Business, Innovation and Skills.

Monies from other Research Councils for co-financing of various Grant programmes are recognised as income when goods or services are delivered and title has passed, and charged to the Statement of Comprehensive Net Expenditure in the accounting period in which the goods or services are rendered.

The Council receives funding for collaborative projects to support EPSRC's research. The majority of this funding is received from the UK Public Sector. Some of the funding may involve payment for the collaboration of a number of years in advance of the accounting period to which it relates. Where there is a variance between work done in the accounting period and received funding, income will be deferred where the contract or agreement allows.

f) Property, Plant and Equipment

Tangible Property, Plant and Equipment and Intangible Assets and Depreciation and Amortisation

Capital expenditure includes the purchase of land, buildings, construction and services projects, equipment and intangible assets valued at £10,000 (2012-13 £10,000) or more.

Property, plant and equipment are included at cost or at valuation. The basis of valuation is Open Market Value for existing use where this can be established, otherwise Current Depreciated Replacement Cost.

Land and Buildings and major items of equipment are professionally valued at least every five years, at which time the remaining useful life of each revalued asset is also reassessed. The last valuation was in March 2011, conducted by Powis Hughes and Associates, Chartered Surveyors. The basis of the valuation was Open Market Value. Appropriate indices are used in between formal professional valuations.

ACCOUNTS

Notes to the EPSRC's Accounts continued

Property, plant and equipment are depreciated at rates calculated to write off the costs or the valuation of each asset evenly over its expected useful life, as follows:

Freehold land	not depreciated
Freehold buildings	62 years
Specialist scientific equipment	3 – 15 years
IT equipment	3 years
Fixtures and fittings	5 years
General office equipment	5 years
Vehicles	4 years

Assets in the course of construction are not depreciated until the asset is available for use.

Intangible assets are amortised evenly over their expected useful lives as follows:

Software	5 years
Licences	3 years
Websites	5 years

The estimated economic useful lives of Property, Plant and Equipment and Intangibles are estimated based on the period over which the asset is expected to be available for use. Such estimation is based on experiences with similar assets and practices of similar businesses. The estimated useful life of each asset is reviewed periodically and updated if expectations differ from previous estimates due to physical wear and tear, technical or commercial obsolescence or legal or other limits on the use of an asset. An increase in the estimated useful life of any item of property, plant and equipment and intangibles would decrease the recorded operating expenses and increase non-current assets values.

Property, Plant and Equipment are included at recoverable amounts. Management assess whether assets retain their recoverable amount or whether the asset is impaired, suffering a permanent diminution in value. Judgements are made on obsolescence, damage and loss resulting from normal business operations, and changes in value as part of the annual review of Property Plant and Equipment.

g) Equipment Located Elsewhere

EPSRC owns assets which are located elsewhere but are included in the Statement of Financial Position.

This figure includes the ARCHER supercomputing facility, which came into operation in December 2013. This replaced the previous supercomputer, HECToR which was retired in March 2014. At the Statement of Financial Position date the combined net book value of assets held for ARCHER at the facility in Edinburgh was £20.8m (2012-13 HECToR £12.9m).

A pool of scientific equipment is provided and updated by the Science and Technology Facilities Council (STFC) on behalf of the EPSRC, specifically for loan to research organisations. Wherever located, this equipment remains the property of the EPSRC and is therefore included in the Statement of Financial Position.

h) Impairment of Non-Current Assets

Impairment losses not resulting from a loss of economic value or service potential are taken to the Revaluation Reserve to the extent that there is a credit in that reserve for that asset or portfolio of assets. Impairment losses that arise from a clear consumption of economic benefit are charged to the Statement of Comprehensive Net Expenditure. Increases in value arising on revaluation are taken to the Revaluation Reserve except when they reverse an impairment for the same asset previously recognised in expenditure, in which case they are credited to the extent of the decrease previously charged there.

ACCOUNTS

Notes to the EPSRC's Accounts continued

i) Operating Segments

The primary format used for segmental reporting is by programme expenditure as this reflects EPSRC's internal management structure and reporting. EPSRC's assets and liabilities are shared across the operating segments, and as segmental information on assets and liabilities is not used internally, disclosure is not needed.

j) Ownership of Equipment or Facilities Purchased with Council Grants

Equipment purchased by an organisation with research grant funds supplied by the EPSRC belongs to the organisation and is not included in the EPSRC's property, plant and equipment. Through the Conditions of Grant applied to funded organisations, the EPSRC must be informed if, during the life of the research grant, the need for the equipment diminishes substantially or it is not used for the purpose for which it was funded. The EPSRC reserves the right to determine the disposal of such equipment and to claim the proceeds of any sale.

k) Research Grants

Subject to the terms and conditions under which research grants are awarded, the EPSRC makes payments for grants on the basis of pre-determined quarterly profiles. Profiles are arranged, in overall terms, to reflect the rate and incidence of expenditure at the grant holding organisation. Payments are normally made in the period to which they relate, although EPSRC retains some latitude in timing. Grant expenditure is accounted for on an accruals basis to reflect the usage of grant funds on work carried out. Future commitments at the Statement of Financial Position date are disclosed in Note 21.

l) Research and Development

As a research organisation, all the EPSRC's research and development expenditure is charged to the Statement of Comprehensive Net Expenditure when it is incurred. Intellectual property rights arising from research and development funded by the EPSRC are passed to the organisations performing the research.

m) Financial Instruments

Due to the non-trading nature of its activities and the way in which the EPSRC is financed, the EPSRC is not exposed to the degree of financial risk faced by non-public sector entities. Moreover, financial instruments play a much more limited role in creating or changing risk that would be typical of the listed companies to which IAS 32, 39 and IFRS 7 mainly apply. The EPSRC has very limited powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day to day operational activities and are not held to change the risks facing the EPSRC in undertaking its activities.

Trade receivables are not interest bearing and are carried at original invoice amount. Provision for impairment is established when there is objective evidence that the EPSRC will not be able to collect all amounts due according to the original terms of the receivable. The amount of provision is the difference between the carrying amount and recoverable amount and is recognised in the Statement of Comprehensive Net Expenditure.

Trade and other payables are recognised in the period in which related money, goods or services are received or when a legally enforceable claim against the EPSRC is established or when the corresponding assets or expenses are recognised.

n) Key Accounting Judgements

The preparation of financial statements requires management to make estimates and assumptions. These affect the reported amounts of assets and liabilities; the disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period.

On an ongoing basis, management evaluates its estimates and judgements. These estimates and judgements are based on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements

ACCOUNTS

Notes to the EPSRC's Accounts continued

about the carrying value of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefit will be required to settle the obligation, and where the amount of the obligation can be reliably estimated (see Note 18).

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events (see Note 22).

o) Operating Leases

EPSRC currently holds no finance leases. Operating lease rentals are charged to the Statement of Comprehensive Net Expenditure on a straight line basis over the period of the lease.

p) Foreign Currencies

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transactions. Any exchange differences arising in the ordinary course of business are taken to the Statement of Comprehensive Net Expenditure. Assets and liabilities in foreign currencies in existence at the Statement of Financial Position date are translated at the rates ruling at that date.

q) Value Added Tax

The EPSRC is a member of a VAT Group along with the other Research Councils. By registering as a group there is a single VAT registration covering all of the members. All supplies made by or to group members are deemed to be made by or to the representative member. Supplies made between group members are disregarded for VAT. There is, therefore, no VAT payable on supplies made between group members, representing a saving in administration costs.

From the 6 March 2013, UK SBS Ltd is acting as a Cost Sharing Group (CSG). This allows SBS UK Ltd to provide services to the VAT group members exempt of VAT. Members of this group comprise the seven Research Councils, BIS, Higher Education Funding Council for England and Technology Strategy Board.

r) Pension Costs

Retirement benefits to employees of the Council are provided by the Research Councils' Pension Scheme (RCPS), and, the Prudential Partnership, Scottish Widows Partnership and Standard Life Partnership. The expected costs of providing pensions are charged to the Statement of Comprehensive Net Expenditure so as to spread the cost over the service lives of employees in the schemes operated, in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll. More details on pensions can be found in Note 10.

s) Employee Benefits

Employees are entitled to 30 days annual leave per year. The annual leave year for the EPSRC runs from 1 January to 31 December. The cost of untaken employee leave at 31 March 2014 has been accrued for.

t) Early Departure Costs

The costs of early retirement or severance are charged to the Statement of Comprehensive Net Expenditure when the early departures are agreed. These costs are net of the lump sums recoverable from the pension schemes when the individual reaches normal retirement age.

u) Notional SBS Charge

Ownership of SBS transferred from the Research Councils to BIS on 6th March 2013. From 1 April 2013 the cost of SBS's services to EPSRC ceased to be a monthly charge and instead was deducted from EPSRC's allocation. In order to accurately reflect the cost of using SBS's services in the

ACCOUNTS

Notes to the EPSRC's Accounts continued

annual accounts the charge has been shown as a notional cost on the Statement of Comprehensive Expenditure and it has then been written back to the Income and Expenditure Reserve.

v) Insurance

In line with Government policy, EPSRC carries its own risks in respect of employment of staff, buildings, equipment etc, except where there exists a statutory requirement to insure or where commercial insurance represents better value for money. Insurance premiums are charged to the Statement of Comprehensive Net Expenditure.

w) Cash and Cash Equivalents

Cash and cash equivalents comprise of cash at bank and in hand.

ACCOUNTS

Notes to the EPSRC's Accounts continued

2. ANALYSIS OF NET EXPENDITURE BY SEGMENT

The primary format used for segmental reporting is by category of expenditure, as this reflects the internal management reporting of EPSRC. EPSRC receives funding from its sponsoring department, BIS, separately for Programme and Administration.

EPSRC's staff costs, other operating expenditure and depreciation are attributed to either Other Administration or Programme support costs. If costs are directly attributable to the delivery of EPSRC's scientific programme, they are attributed to the Other Scientific Support budget; if not, they are classed as Other Administrative Support.

Segmental Analysis 2013-14	Research £000	Postgraduate Training £000	Other Scientific Support £000	Other Administrative Support £000	Total 2013-14 £000
Research	635,384	-	3,981	-	639,365
Energy Technologies Institute LLP	13,565	-	-	-	13,565
UK Research Facilities	15,938	-	-	-	15,938
International Subscriptions	-	-	596	-	596
Postgraduate Awards	-	172,053	-	-	172,053
Research Fellowships	-	54,137	-	-	54,137
Staff Costs	-	-	4,413	7,261	11,674
Other Expenditure	-	-	2,821	6,738	9,559
Impairment	-	-	192	(170)	22
Depreciation & Amortisation	-	-	15,293	354	15,647
SBS Notional Service Charges	-	-	-	3,516	3,516
Total Operating Expenditure	664,887	226,190	27,296	17,699	936,072
Other Operating Income	(16,327)	(625)	(8,714)	(3,157)	(28,823)
Net Expenditure	648,560	225,565	18,582	14,542	907,249

Segmental Analysis 2012-13	Research £000	Postgraduate training £000	Other Scientific Support £000	Other Administrative Support £000	Total 2012-13 £000
Research	580,956	-	2,170	-	583,126
Energy Technologies Institute LLP	12,251	-	-	-	12,251
UK Research Facilities	11,985	-	-	-	11,985
International Subscriptions	-	-	542	-	542
Postgraduate Awards	-	174,703	-	-	174,703
Research Fellowships	-	51,269	-	-	51,269
Staff Costs	-	-	4,446	6,683	11,129
Other Expenditure	-	-	1,408	4,956	6,364
Impairment of Joint Venture	-	-	-	608	608
Depreciation & Amortisation	-	-	10,103	329	10,432
SBS Service Charge	-	-	-	4,012	4,012
Total Operating Expenditure	605,192	225,972	18,669	16,588	866,421
Other Operating Income	(20,653)	(869)	(5,726)	(2,813)	(30,061)
Net Expenditure	584,539	225,103	12,943	13,775	836,360

ACCOUNTS

Notes to the EPSRC's Accounts continued

3. INCOME

	2013-14	2012-13
	£000	£000
RCUK Income	(5,565)	(5,074)
Income From Other Research Councils	(10,601)	(10,358)
Income From Central Government	(8,263)	(10,549)
Income From Other Bodies	(4,394)	(4,080)
Total Operating Income	(28,823)	(30,061)

	2013-14	2012-13
	£000	£000
EU Income	(482)	(24)
Cofunded Grants Income	(17,374)	(21,649)
Income for Services Provided	(10,967)	(8,388)
Total Operating Income	(28,823)	(30,061)

4. RESEARCH

Total gross expenditure on research grants shown by theme:

	2013-14	2012-13
	£000	£000
Digital Economy	26,984	27,859
Energy	110,700	107,148
Global Uncertainties	7,666	6,050
Healthcare	46,775	59,153
Living With Environmental Change	4,033	3,534
Public Engagement Programme	3,981	2,170
Manufacturing	53,488	50,284
National Capability Engineering	62,212	62,906
National Capability ICT	69,914	68,528
National Capability Infrastructure	134,553	73,989
National Capability Mathematics	22,788	24,638
National Capability Physical Sciences	96,271	96,867
Total Research	639,365	583,126

ACCOUNTS

Notes to the EPSRC's Accounts continued

5. ENERGY TECHNOLOGIES INSTITUTE LLP

Energy Technologies Institute LLP (ETI LLP) was established in 2008 as a joint initiative between the public and private sectors to encourage research and investment in new and emerging energy technologies.

ETI LLP has been established with the aim of accelerating the development, demonstration and eventual commercial deployment of a focused portfolio of energy technologies which will increase energy efficiency, reduce greenhouse gas emissions and help achieve energy and climate change goals.

EPSRC and the Technology Strategy Board (TSB) represent the public sector's 50% interest in the partnership. The Secretary of State for Business, Innovation and Skills is a designated member of ETI LLP but EPSRC and TSB are responsible for providing the member's contributions on behalf of BIS.

EPSRC has made payments of £13,565k (2012-13 £12,251k) to ETI LLP which have been expensed as EPSRC itself does not have an investment in ETI LLP.

6. UK RESEARCH FACILITIES

	2013-14 £000	2012-13 £000
High Performance Computing:		
University of Edinburgh (HECToR)	7,376	7,583
University of Edinburgh (ARCHER)	2,473	-
Total High Performance Computing	9,849	7,583
Science and Technology Facilities Council Facilities	2,699	3,040
Other Expenditure on Research Facilities	3,390	1,362
Total Expenditure on UK Research Facilities	15,938	11,985

EPSRC provides facilities to enable world class research. ARCHER, a high performance computing facility, was introduced in December 2013, replacing HECToR, which was retired in March 2014. At the Statement of Financial Position date, EPSRC held assets with a combined net book value of £20.8m at the ARCHER facility.

7. INTERNATIONAL SUBSCRIPTIONS

Total amounts paid in the year for current operations:

	2013-14 £000	2012-13 £000
European Science Foundation (ESF)	220	159
International Fusion Research (ITER)	216	223
Institute des Hautes Etudes Scientifiques (IHES)	160	160
Total Expenditure on International Subscriptions	596	542

ACCOUNTS

Notes to the EPSRC's Accounts continued

8. POSTGRADUATE AWARDS

	2013-14 £000	2012-13 £000
Collaborative Training Accounts	16,128	23,403
Doctoral Training Grants	80,222	73,445
Dorothy Hodgkin Postgraduate Awards	824	1,565
International Doctoral Scholarships	(57)	67
Centres for Doctoral Training	73,781	74,682
Other Awards	1,155	1,541
Total Expenditure on Postgraduate Awards	172,053	174,703

EPSRC acts as a manager for the Dorothy Hodgkin Awards on behalf of the Research Councils UK (RCUK). Funding towards Dorothy Hodgkin Awards is provided by the Research Councils and by industrial collaborators.

9. RESEARCH FELLOWSHIPS

	2013-14 £000	2012-13 £000
Academic	340	239
Advanced	1,055	2,398
European Young Investigator (EURYI)	-	48
Post-Doctoral	3,709	5,200
Senior	162	535
Career Acceleration Fellowships	20,010	22,077
Leadership Fellowships	15,751	18,541
Other Fellowships	13,110	2,231
Total Expenditure on Research Fellowships	54,137	51,269

ACCOUNTS

Notes to the EPSRC's Accounts continued

10. STAFF NUMBERS AND RELATED COSTS

(a) Staff Costs

	2013-14 £000	2012-13 £000
Salaries and Wages		
Permanent Staff	7,476	7,075
Agency Staff & Contract Personnel	1,617	1,166
Social Security Costs	549	548
Other Pension Costs	1,766	1,758
Council and Panel Members' Fees and Honoraria	114	105
Current Staff Costs	11,522	10,652
Net Early Retirement Costs	152	477
Total Expenditure on Staff Costs	11,674	11,129
PSU Adjustment	300	-
Adjusted Total	11,974	11,128

(b) Staff Numbers

Average numbers of full-time equivalent employees during the year

	2013-14	2012-13
Senior Management	30	34
Managerial and Supervisory	116	145
Administrative Support	62	30
Average Number of Staff Employed	208	209
Contract Staff	3	12
Agency Staff	13	4
Total Average Number of Staff	224	225
PSU staff directly employed by Council	(18)	-
Estimated FTE allocation of PSU FTE	20	-
Adjusted EPSRC staff	226	225

Arts and Humanities Research Council (AHRC), Economic and Social Research Council (ESRC) and EPSRC created a Professional Support Unit (PSU) in 2013. The PSU provides joint services across the three Councils for the following functions: Human Resources, Finance, Programme Office, Information Services, Joint Information Services Unit (JISU) and Joint Reprographic Service (JRS). The AHRC hosts the PSU and it has been agreed that all new staff appointments will be recruited to AHRC. The total EPSRC headcount includes 36 fte of PSU staff. A cost recharge across the three Councils to redistribute the costs across the functions in relation to the support provided was applied in the year. This PSU recharge created operating expenditure to EPSRC. In EPSRC staff costs will be reported at a gross level (i.e. including PSU staff employed by EPSRC) throughout the Annual Report and Accounts, however adjustments have been made in the note above to give a more fair reflection of the fte utilised by EPSRC.

ACCOUNTS

Notes to the EPSRC's Accounts continued

(c) Pension Schemes

The assets of all schemes are held separately from those of the EPSRC in independently administered funds. It is not possible to identify the EPSRC's share of the underlying assets and liabilities of any of the pension schemes and therefore contributions to the scheme are accounted for as if they were defined contribution schemes. The pension cost charge represents contributions payable by the EPSRC to the funds.

The Research Councils' Pension Scheme (RCPS)

The employees of EPSRC are offered membership to the Research Councils' Pension Scheme (RCPS) which is a defined benefit scheme funded from annual grant-in-aid on a pay-as-you-go basis. The RCPS is in all respects 'by-analogy' with the Principal Civil Service Pension Scheme, except that the employer's contribution is determined separately. The scheme provides retirement and related benefits based on final or average emoluments. Redundancy and injury benefits are administered and funded by the Council. The scheme is administered by the Research Councils' Joint Superannuation Service with the associated grant-in-aid managed by BBSRC.

Employees may be in one of four defined benefit scheme arrangements; either a 'final salary' scheme (classic, classic plus or premium); or a career average scheme (nuvos). Pensions payable are increased annually in line with changes in the Consumer Prices Index (CPI). The employer contribution rate is agreed by the RCPS Board of Management on the recommendation of the Government Actuary's Department (GAD) and is set at 26.0% of pensionable pay. All public service pension schemes have been required to deliver savings following a review of public service pensions by Lord Hutton. These savings are equivalent to an average increase of 3.2% in employee contributions paid by most RCPS members. These increase were spread over three years, the first applied in April 2012, the second in April 2013 and the last due in April 2014. During 2013-14 the employee contribution rates ranged between 1.5% and 8.25% depending on scheme and pensionable earnings.

As an alternative to the RCPS a Partnership Pension Account was made available to new recruits from 1 October 2002. It is based on the portable Stakeholder Pension introduced by the Government in 2001. This is a defined contribution scheme. The employers pay the RCPS 0.08 percent of pensionable pay to cover death in service and ill health benefits. The employers pay an age related contribution to the employee's private pension provider. The employer contribution for 2013-14 was £1,109.24.

The accrued pension is the pension the member is entitled to receive when they reach pension age or immediately on ceasing to be an active member of the scheme if they are already at or over pensionable age. Pensionable age is 60 for members of the classic, classic plus and premium scheme arrangements and 65 for members of Nuvos.

For further details about the Research Councils Pension Scheme pension arrangements can be found at the website <http://jsspensions.nerc.ac.uk/>

The RCPS is an unfunded multi-employer defined benefit State scheme which is funded on a pay-as-you-go basis. Contributions are set at a level that is expected to be sufficient to pay the required benefits falling due in the same period with future benefits earned during the current period to be paid out of future contributions. In RCPS, EPSRC has no legal or constructive obligation to pay those future benefits. Its only obligation is to pay the contributions as they fall due and if the entity ceases to employ members of RCPS, it will have no obligation to pay the benefits earned by its own employees in previous years. For this reason, RCPS is treated as a defined contribution plan as stated in IAS 19.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that the period between formal actuarial valuations shall be four years, with approximate assessments in intervening years.

Formal actuarial valuations are used to determine employer and employee contribution rates. The last actuarial evaluation undertaken for the RCPS, as at 31 March 2006, was completed in 2008-09.

ACCOUNTS

Notes to the EPSRC's Accounts continued

Subsequently, an actuarial valuation as at 31 March 2010 was initiated but was not completed before valuations for unfunded public service pension schemes were suspended by HM Treasury while future scheme terms were being developed as part of the reforms to public service pension provision. HM Treasury have issued the Government Actuary Department (GAD), the RCPS scheme actuary, with directions for calculating public service pension scheme valuations as at 31 March 2012 with any resulting contribution changes likely to apply from 1 April 2015.

For 2013-14, employer's contributions of £1,765,809 were payable to RCPS (2012-13 £1,757,187) at 26% of pensionable pay for all the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

(d) Compensation schemes and exit packages

The following table sets out the number of voluntary redundancy packages agreed in 2013-14:

Exit Package Cost Band			Total Package
	2013-14	2012-13	2013-14 £000s
< £10,000	-	-	-
£10,000 to £25,000	-	-	-
£25,000 to £50,000	1	4	47
£50,000 to £100,000	1	2	74
£100,000 to £150,000	-	-	-
Total Exit Packages Agreed	2	6	121

11. OPERATIONAL EXPENDITURE AND NOTIONAL CHARGES

	2013-14 £000	2012-13 £000
Office Costs, Utilities and Services	7,471	3,655
Travel and Subsistence	815	764
Equipment and Supplies	349	863
Consultancies	227	353
External Auditors' Remuneration	70	78
Rent, Rates and Maintenance	373	655
Administration, Subscriptions and Bank Charges	269	71
Write Offs and Recoveries	(15)	48
Depreciation & Amortisation	15,647	10,432
Impairment	22	(123)
SBS Notional Service Charges	3,516	4,012
Total Other Expenditure	28,744	20,808

Please note that SBS annual service charge is now made via an allocation reduction by BIS.

The equivalent charge for 2012-13 is £4m, for comparability purposes they are both disclosed as other expenditure in the accounts despite the differing treatments year on year.

ACCOUNTS

Notes to the EPSRC's accounts continued

12. PROPERTY, PLANT AND EQUIPMENT

	Land £000	Buildings £000	IT £000	Plant & Machinery £000	Furniture & Fittings £000	Payments on Account and Assets under Construction £000	Total £000
Cost or Valuation at 1 April 2013	1,639	3,305	65,162	5,850	1,331	-	77,287
Additions	-	-	-	66	-	23,051	23,117
Disposals	-	-	(64,789)	(28)	-	-	(64,817)
Impairments	-	171	(209)	17	(1)	-	(22)
Revaluations	126	84	(406)	121	(4)	-	(79)
Transfers	-	-	23,051	-	-	(23,051)	-
At 31 March 2014	1,765	3,560	22,809	6,026	1,326	-	35,486
Depreciation at 1 April 2013	-	328	52,342	3,601	908	-	57,179
Charge in the year	-	108	14,758	535	216	-	15,617
Disposals	-	-	(64,789)	(15)	-	-	(64,804)
Revaluations	-	32	(352)	86	(3)	-	(237)
At 31 March 2014	-	468	1,959	4,207	1,121	-	7,755
Net Book Value at 31 March 2014	1,765	3,092	20,850	1,819	205	-	27,731
Cost or Valuation at 1 April 2012	1,670	3,367	49,590	6,142	1,419	8,887	71,075
Additions	-	-	-	22	91	-	113
Disposals	-	-	(586)	(436)	(205)	-	(1,227)
Impairments	-	(56)	145	34	-	-	123
Revaluations	(31)	(6)	7,126	88	26	-	7,203
Transfers	-	-	8,887	-	-	(8,887)	-
At 31 March 2013	1,639	3,305	65,162	5,850	1,331	-	77,287
Depreciation at 1 April 2012	-	226	38,524	3,440	886	-	43,076
Charge in the year	-	108	9,574	533	212	-	10,427
Disposals	-	-	(586)	(436)	(205)	-	(1,227)
Revaluations	-	(6)	4,830	64	15	-	4,903
At 31 March 2013	-	328	52,342	3,601	908	-	57,179
Net Book Value at 31 March 2013	1,639	2,977	12,820	2,249	423	-	20,108

These assets are funded solely from Grant-in-Aid.

The asset under construction was for ARCHER, a high performance computing facility. This asset was transferred into use in December 2013, replacing HECToR, which was retired in March 2014. The two facilities were run in parallel for four months.

The last professional valuation of land and buildings was in March 2011, conducted by Powis Hughes and Association, Chartered Surveyors. The basis of the valuation was Open Market Value for existing use. The valuation was made in accordance with RICS Appraisal and Valuation Manual or a named alternative. Between formal professional valuations, appropriate indices are used.

ACCOUNTS

Notes to the EPSRC's accounts continued

13. INTANGIBLE ASSETS

	Website £000	Software £000	Licences £000	Assets under Construction £000	Total £000
Cost or valuation at 1 April 2013	-	50	37	183	270
Additions	-	-	-	226	226
Disposals	-	-	-	-	-
Impairments	-	-	-	-	-
Revaluation	-	(1)	-	-	(1)
Transfers	409	-	-	(409)	-
At 31 March 2014	409	49	37	-	495
Amortisation at 1 April 2013	-	50	37	-	87
Charge in the year	30	-	-	-	30
Disposals	-	-	-	-	-
Revaluation	-	(1)	-	-	(1)
At 31 March 2014	30	49	37	-	116
Net book value at 31 March 2014	379	-	-	-	379
Cost or valuation at 1 April 2012	-	179	49	-	228
Additions	-	-	-	183	183
Disposals	-	(138)	(12)	-	(150)
Impairments	-	-	-	-	-
Revaluation	-	9	-	-	9
Transfers	-	-	-	-	-
At 31 March 2013	-	50	37	183	270
Amortisation at 1 April 2012	-	173	49	-	222
Charge in the year	-	6	-	-	6
Disposals	-	(138)	(12)	-	(150)
Revaluation	-	9	-	-	9
At 31 March 2013	-	50	37	-	87
Net book value at 31 March 2013	-	-	-	183	183

Gateway to Research is a website owned by EPSRC which has been developed on behalf of the Research Councils UK (RCUK) to enable users to search and analyse information about publicly funded research.

ACCOUNTS

Notes to the EPSRC's accounts continued

14. INVESTMENT IN JOINT VENTURE

	UK SBS Ltd "A" Shares £	UK SBS Ltd "B" Shares £	Total £
At 1 April 2013	1	-	1
Additions in year	-	-	-
Disposal	-	-	-
Impairment	-	-	-
Net book value at 31 March 2014	1	-	1
At 1 April 2012	1	3,759,341	3,759,342
Additions in year	-	-	-
Disposal	-	(3,151,141)	(3,151,141)
Impairment	-	(608,200)	(608,200)
Net book value at 31 March 2013	1	-	1

EPSRC holds one Non Government Department (NGD) share (nominal value £1) in UK Shared Business Services Ltd (UK SBS), as do eight other NGD shareholders. These NGD shares together carry 49% of the votes in UK SBS. The Department for Business Innovation and Skills (BIS) holds one Government Department (GD) Share (nominal value £1) carrying 51% of the votes. BIS also owns 100% of the non-voting shares in UK SBS, with a nominal value of £62,016,358, which entitle it to 100 % of the profits of that company.

ACCOUNTS

Notes to the EPSRC's accounts continued

15. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	2013-14 £000	2012-13 £000
Amounts falling due within 1 year:		
Trade Receivables	15,254	7,933
Other Receivables	13	12
Prepayments	18,228	8,626
Accrued Income	4,925	6,207
VAT	25	6
Total	38,445	22,784

	2013-14 £000	2012-13 £000
Analysis by Source:		
Bodies within Department for Business Innovation and Skills	13,172	10,830
Other Central Government Bodies	2,718	5,543
Public Corporations and Trading Funds	-	4,286
Bodies External to Government	22,555	2,125
	38,445	22,784

16. CASH AND CASH EQUIVALENTS

	2013-14 £000	2012-13 £000
Balance at 1 April	13,920	3,518
Net Change in Cash and Cash Equivalent Balances	-	10,402
Balance at 31 March	13,920	13,920
The following balances at 31 March 2014 were held at:		
Government Banking Service	13,898	13,885
Commercial banks and cash in hand	22	35
	13,920	13,920

ACCOUNTS

Notes to the EPSRC's accounts continued

17. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2013-14 £000	2012-13 £000
Amounts falling due within 1 year:		
VAT	-	-
Trade Payables	(14,357)	(444)
Other Payables	(193)	(228)
Accruals	(49,909)	(74,407)
Deferred Income	(3,120)	(3,711)
Total	(67,579)	(78,790)

	2013-14 £000	2012-13 £000
Analysis by Source:		
Bodies within Department for Business Innovation and Skills	(4,977)	(5,697)
Other Central Government Bodies	(2,032)	(2,866)
Public Corporations and Trading Funds	(7)	(66,918)
Bodies External to Government	(60,563)	(3,309)
	(67,579)	(78,790)

18. PROVISIONS FOR LIABILITIES AND CHARGES

	2013-14 £000	2012-13 £000
Opening Balance	-	672
Increase in Provision	-	-
Payment/Utilisation of Provision	-	(672)
Decrease in Provision	-	-
Reduction in Provision	-	-
Net Movement in Provision	-	-
Closing Balance	-	-

The provisions related to the liability to pay redundancy payments.

ACCOUNTS

Notes to the EPSRC's accounts continued

19. CAPITAL COMMITMENTS

	2013-14 £000	2012-13 £000
Contracted capital commitments at 31 March 2014 for which no provision has been made		
HECToR (Cray Inc/University of Edinburgh HPCX Ltd/National Algorithms Group)	-	5,330
Total	-	5,330

20. COMMITMENTS UNDER LEASES

a) Operating leases

The total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	2013-14 £000	2012-13 £000
Obligations under operating leases comprise:		
Buildings:		
Not later than one year	-	-
Later than one year and not later than five years	-	-
Later than five years	-	-
Other:		
Not later than one year	70	36
Later than one year and not later than five years	45	55
Later than five years	-	-
	115	91

EPSRC's operating leases consist of three items of reprographics equipment.

b) Finance leases

The EPSRC has no obligations under finance leases.

21. OTHER FINANCIAL COMMITMENTS

The EPSRC estimates that the future costs of research and training grants at 31 March 2014 are £2,155m. The payments to which EPSRC is committed during 2013-14, analysed by the period during which the commitment expires are as follows:

	2013-14 £000	2012-13 £000
Not later than one year	780,377	763,327
Later than one year and not later than five years	1,228,629	1,302,402
Later than five years	146,121	37,923
	2,155,127	2,103,652

ACCOUNTS

Notes to the EPSRC's accounts continued

22. CONTINGENT LIABILITIES

The EPSRC had no contingent liabilities as at 31 March 2014.

23. RELATED-PARTIES

EPSRC is a Non Departmental Public Body sponsored by BIS. It complies with the International Accounting Standard on Related Party Transactions (IAS 24) as amended for Central Government use by HM Treasury.

For the purpose of IAS 24, BIS and its partner organisations are regarded as related parties. During the year, EPSRC had various material transactions with BIS and other bodies for which BIS is regarded as the parent department as listed below. In addition, EPSRC had material transactions with other Government bodies as listed below.

Table A	2013-14 Transactions £000	2013-14 Outstanding Balance £000	2012-13 Transactions £000	2012-13 Outstanding Balance £000
BIS Group				
Department for Business Innovation and Skills	(938,266)	-	(852,477)	284
Arts and Humanities Research Council	(435)	(251)	518	(475)
Biotechnology and Biosciences Research Council	(1,620)	158	702	150
Economic and Social Research Council	(3,404)	(134)	(1,305)	1,083
Diamond Light Source	12	-	12	-
Higher Education Funding Council	(605)	93	(787)	87
Medical Research Council	(830)	(1,293)	(466)	(114)
Natural Environment Research Council	(1,459)	(546)	(404)	247
Science and Technology Facilities Council	1,511	(92)	3,355	(256)
Technology Strategy Board	(1,497)	(26)	(1,358)	481
UK Atomic Energy Authority	22,350	10,540	22,270	3,871
UK Shared Business Services	183	(150)	4,214	169
UK Space Agency	(20)	(104)	(75)	(200)
	(924,080)	8,195	(825,801)	5,327
Other Central Government				
Research Council Pension Scheme	2,180	-	2,035	-
Department for International Development	(1,189)	484	-	-
Defence Science and Technology Laboratory	(1,252)	414	(768)	95
	(261)	898	1,267	95

ACCOUNTS

Notes to the EPSRC's accounts continued

During 2013-14 EPSRC has identified those members of staff who could be in a position of financial influence, and required a declaration from each of any financial transactions with EPSRC under which the staff member or a member of their immediate family was in receipt of a significant amount of money from EPSRC and where the staff member was able to exercise any influence over the transaction. Such a declaration was also required from members of Council and Resource Audit Committee and Strategic Advisory Team. A Council Members' Register of Interests is available for viewing on EPSRC's website.

These Accounts provide disclosure of all material financial transactions with senior executive staff and all Council members. During the year EPSRC did not enter into any transactions with any senior executive staff. However, it did enter into a number of material transactions with Institutions employing Council members who had a direct interest in the award concerned (Table B).

None of the Council members were involved in the recommendation of awards to the Institution where they are a senior member of staff or member of the Governing body. However, information is disclosed on material financial transactions with any related party of these senior staff or Council members. (Table C)

In addition, the EPSRC made a number of payments in respect of EPSRC funded awards to Institutions where Council members are also members of staff or members of Governing bodies. None of the disclosed Council members were involved in the recommendation of awards to the Institution where they are a member of staff or member of the Governing body (Table D). The figures stated are for Research, Awards and Fellowships.

Table B		Grant Reference	2013-14 Value £000	2012-13 Value £000
Organisation	Proposer			
Imperial College London	Professor Lord Ara Darzi, PC, KBE, FRS, FMedSci, Hon FREng	EP/L023814/1	270	-
University of Leeds	Professor John Fisher, CBE, FREng, FMedSci, FIMechE, FIPEM, CEng, CSi	EP/L014823/1	3,334	-
University of Leeds	Professor John Fisher, CBE, FREng, FMedSci, FIMechE, FIPEM, CEng, CSi	EP/J017620/1	-	1,814
University of Leeds	Professor John Fisher, CBE, FREng, FMedSci, FIMechE, FIPEM, CEng, CSi	EP/K029592/1	-	5,667
University of Cambridge	Professor Sir Richard Friend, FRS, FREng	EP/K016520/1	-	128
University College London	Professor John Perkins, CBE, FREng	EP/K039121/1	-	557
University of Exeter	Professor Roy Sambles, FRS	EP/L015331/1	4,977	-
Imperial College London	Professor Lord Robert Winston, FRS, FMedSci, Hon FREng	EP/K027492/1	-	151

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Notes to the EPSRC's accounts continued

Table C	Research Grants No.	Research Grants £000	Postgraduate Awards No.	Postgraduate Awards £000	Research Fellowships No.	Research Fellowships £000
Organisation						
Aston University	-	-	-	-	1	1,164
Imperial College London	47	58,080	13	52,657	11	9,658
University College London	37	16,994	12	52,036	3	2,246
University of Exeter	7	1,915	3	11,208	3	2,313
University of Glasgow	19	7,723	1	3,013	3	2,049
University of Leeds	10	7,599	5	15,039	1	1,031
University of Oxford	23	19,208	10	39,588	14	8,728
University of Sheffield	20	9,442	7	22,509	2	1,751

Table D	Research Grants No.	Research Grants £000	Postgraduate Awards No.	Postgraduate Awards £000	Research Fellowships No.	Research Fellowships £000
Organisation						
Aston University	6	2,946	1	67	-	-
Imperial College London	76	69,269	2	9,913	7	5,186
University of Oxford	54	27,283	2	5,443	7	5,288
University College London	87	92,710	3	9,280	7	5,664
University of Exeter	18	7,627	2	1,069	2	1,560
Sheffield Hallam University	-	-	1	202	-	-
University of Glasgow	22	26,573	1	2,044	1	123
University of Cambridge	53	71,857	3	10,685	9	
University of Leeds	37	22,269	2	4,033	2	1,297

During financial year 2011-12 EPSRC made an award to a related party to a senior EPSRC executive. This award is still active and the details are shown in Table E.

Table E	Organisation	Proposer	Grant Reference	Value £000
	University of Oxford	Professor Ian Thompson, AFICHEM	EP/K502376/1	219

ACCOUNTS

Notes to the EPSRC's accounts continued

24. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

As the cash requirements of EPSRC are met through Grant-in-Aid provided by the Department for Business, Innovation and Skills, financial instruments play a more limited role in creating and managing risk than would apply to a non-public sector body. The majority of financial instruments relate to contracts to buy non-financial items in line with EPSRC's expected purchase and usage requirements and therefore EPSRC is exposed to little credit, liquidity or market risk.

25. LOSSES AND SPECIAL PAYMENTS

There were no losses or special payments that need to be reported.

26. EVENTS AFTER THE REPORTING PERIOD

IAS 10 Events after the reporting period, require the disclosure of the date on which the financial statements were "authorised for issue" and who gave that authorisation.

There were no significant events between the Statement of Financial Position date and the date when the Accounting Officer authorised the Accounts

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

The Financial Statements do not reflect events after this date.

Feedback

We welcome feedback on all our publications.
Comments on this Annual Report should be sent to:

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