



ANNUAL REPORT AND ACCOUNTS 2012 - 2013

**ENGINEERING AND PHYSICAL SCIENCES RESEARCH COUNCIL
ANNUAL REPORT AND ACCOUNTS 2012-2013**

EPSRC

Pioneering research
and skills



**INVESTORS
IN PEOPLE** | Bronze

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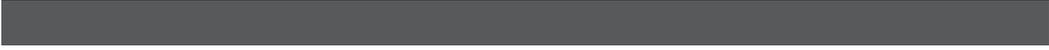
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MANAGEMENT COMMENTARY

Key Achievements

This section highlights some of the key achievements during 2012-13.

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

Boost for science innovation - accelerating impact

EPSRC-supported knowledge transfer activities have continued to generate a wide range of valuable outcomes including computer animation technology now being used by the leading visual effects firm Framestore, imaging technology being applied to clear landmines, and mobile sensing technology helping to enthuse school students in the classroom. These are just some of the examples highlighted in the EPSRC Research Performance and Economic Impact Report 2011-12 which was published on the EPSRC website in January 2013. Building on these successes, in November 2012, Business Secretary, Vince Cable, announced a £60m investment by EPSRC in UK universities to help our most pioneering scientists and engineers create successful businesses from their research, improve industrial collaboration and foster greater entrepreneurship. The funding is through Impact Acceleration Accounts, ranging from £600,000 to £6m and awarded to 31 UK universities. These will help support universities' best scientists and engineers to deliver greater collaboration with industry, bridge the gap between the lab and the marketplace and help them become better entrepreneurs.

EPSRC helps to drive innovation and growth in UK aerodynamics and aerospace

EPSRC is partnering with the Technology Strategy Board and others to support the UK's aerospace sector through 11 major, business-led, R&D projects that encourage innovative solutions to some of the high-risk, high-potential challenges facing the industry. The Business Secretary, Vince Cable, announced the investment (totalling £7.5 m) in July 2012. The projects will develop technologies that will grow the sector and give the industry a competitive advantage in the global market. EPSRC and the Technology Strategy Board will be providing support to universities and companies, including Airbus, EADS UK, and Rolls-Royce. EPSRC funded projects will be at the universities of Loughborough, Manchester, Southampton, Cranfield, Bristol and Oxford, each combining novel research with targeted user support.

New Centres for Innovative Manufacturing

EPSRC has continued to strengthen the UK's manufacturing research base: four new research centres that will develop new ways of manufacturing in the fields of electronics, laser use in production processes, medical devices and food production, were awarded a total of £21m through EPSRC grants as part of a £45m package of investments in manufacturing research. The funding was announced ahead of the Department for Business Innovation and Skills (BIS) Manufacturing Summit in February 2013 by Minister for Universities and Science David Willetts. The new centres will involve academics from 15 universities across the UK and over 60 project partners from industry. EPSRC Centres for Innovative Manufacturing build on previous investments and combine innovation with industry knowledge. Currently 12 centres are supported across a wide range of fields from additive manufacturing to industrial sustainability to continuous manufacturing and crystallisation.

£1 billion industry forecast for 'buildings as power stations' technology

An EPSRC-funded Innovation and Knowledge Centre, that turns buildings into 'power stations' capable of generating, storing and releasing their own energy, has the potential to develop into a £1 billion UK industry. Representing a major shift in energy generation for the built environment, it is forecast to deliver huge economic benefits, including up to 10,000 new jobs in the supply chain, anchoring advanced manufacturing in the UK and providing global export opportunities. During a visit in October 2012 to the new pilot manufacturing facility, Business Secretary, Vince Cable, said: "This centre will speed up the commercialisation of innovative industrial coatings, creating a whole new manufacturing sector and new business opportunities, not to mention long-term environmental benefits, including turning buildings into sources of power."

Collaboration with industry leads to earth moving research

Following a three-year programme of engagement and collaboration between researchers, engineering industries and EPSRC, a total of £4.7m funding for three new projects were announced in February 2013. The projects will help improve the understanding and prediction of earth movements to protect major infrastructure; provide greater confidence in the durability of composite materials for use in civil engineering industries and develop new self-healing materials for construction. They involve collaborations with 20 institutions and industry partners. These projects build on previous outcomes, such as an innovative web tool which allows earthquake experts to pool their knowledge quickly and effectively to prioritise repairs to infrastructure and plan reconstruction and recovery. The announcement of the grants came ahead of the inaugural Global Grand Challenges Summit in March. This event was organised by the Royal Academy of Engineering in collaboration with EPSRC and other partners and saw leading international engineering thinkers and innovators sharing ideas with the next generation of engineers and policymakers on how to solve some of the world's most pressing challenges.

EPSRC funded research and PHD training underpin all sectors of the UK economy. Over 70% of EPSRC's portfolio has direct alignment to the Government's industrial strategy.

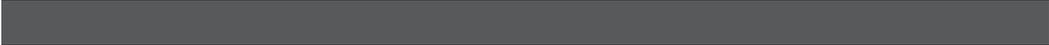
EPSRC supports our very best researchers throughout their careers by fostering their ambition, innovation and adventure

£350m investment to train future science leaders

One of the UK's largest investments in training for the engineering and physical sciences was announced in January 2013 by the Minister for Universities and Science David Willetts. The investment is through a £350m EPSRC call for new Centres for Doctoral Training (CDT) in priority areas including autonomous systems, information economy, healthcare and energy. Mr Willetts said: "Maintaining a healthy supply of skilled scientists, researchers and engineers is vital to our economy and society... The investment will ensure we have the knowledge and expertise to tackle the major challenges we face in the 21st century, from improving healthcare to developing greener energy." The CDT model has already proved highly effective in training cohorts of world class students and drawing in expertise from industry and business.

The future of manufacturing: Five new centres to train the next generation of engineers

In September 2012 EPSRC announced £14m support for five new manufacturing CDT at the EPSRC's Manufacturing the Future conference at Loughborough. The new CDT will be strategic centres for developing the next generation of engineers through the EPSRC-funded manufacturing EngD programme. The Centres will focus on key areas of manufacturing including macromolecular therapies, ultra-precision components, functional coatings and composites.



We are supporting the next generation of researchers with the greatest potential across the postdoctoral, early and established career stages. Examples of Fellowship awards during the year include:

Dream Fellowships for ground-breaking research

Eight outstanding UK researchers were awarded a Dream Fellowship by EPSRC as part of a pilot activity. The Dream Fellowship award supports researchers that have the potential to profoundly impact and/or transform an area of research. It is aligned to EPSRC's strategic goal of developing visionary leaders who set research agendas and inspirational team leaders who act as role models. The prestigious Dream Fellowship award enables talented researchers to take time out from their everyday activities, to give them the freedom to gain new knowledge of novel creative problem solving techniques, explore new radical ideas and develop new ambitious research directions that enable discovery. In the words of the Dream Fellows: "All in all a great initiative which is giving me time to think big and be visionary." - Yvonne Rogers; "My fellowship has enabled me to engage with the creative industries worldwide in a unique way." - Steve Benford.

Green Engineering Fellowships

Four leading academics from the universities of Exeter, Sheffield, Bristol and Cambridge were awarded substantial fellowship grants, totalling £2.38m in December 2012. They will carry out innovative research that will enable better water management; monitor the health of structures in aerospace and wind energy sectors, develop tools for optimising manufacturing and design of aircraft and wind turbines; and provide computational models to calculate the effects of energy policies. One of the recipients, Dr Simon Neild of the University of Bristol said: "I hope that my work will help high-end manufacturing in the UK and make it even more competitive internationally."

Fellowships in Manufacturing

EPSRC announced the recipients of its first ever Fellowships in Manufacturing in May 2012. The five-year fellowships, each worth around £1m, were awarded to four individuals, each with a strong industry background and the potential to become an international research leader, able to set and drive new research agendas, bring together multidisciplinary teams to solve real-world problems, and influence, inspire and motivate a wide sphere of stakeholders.

Research Fellowships to advance medical treatments and bring new science to market

In February 2013, two new EPSRC research fellowships that will enable blood cells to be grown for medical use and bring science innovations to market more quickly were awarded. New Research Fellow Dr Rob Thomas said about the award: "Within the next five years there will be substantial advances in treatments using cell-based therapies. My proposed research will provide the manufacturing tools to enable the clinical community to deliver a new cohort of treatments for serious diseases as well as support an important new economic activity in the UK."

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

Advanced manufacturing technologies promise to keep UK at forefront in flexible display materials

EPSRC-supported researchers have developed a range of exciting technologies which promise to maintain the UK's leading position in the area of low-cost, flexible materials for a range of computer technologies, displays and communication systems. The team of researchers at the Innovation and Knowledge Centre (IKC) for Photonics and Electronics at Cambridge University have reported an impressive set of achievements from their five-year research programme, which has resulted in the development of scalable manufacturing processes, and application demonstrators. The Cambridge IKC has had very strong industrial interactions, involving 45 industrial partners directly in projects and 28 others in follow-up activities. The projects have produced significant intellectual property, transferred technology to industry partners and contributed to the formation of two spin-off companies, with others under consideration.

EPSRC research grants announced to enhance the use of graphene

Research projects that focus on how to enhance the 'manufacturability' of graphene, one of the thinnest, strongest and most conductive materials known to man, are to receive £21.5m in funding. Chancellor of the Exchequer George Osborne announced the support during an interview on BBC's Today programme in December 2012.

Nottingham team put a uranium trophy in the cabinet

Researchers at the University of Nottingham have published findings in the leading journal *Science* that show it is possible to prepare a terminal uranium nitride compound which is stable at room temperature and can be stored in jars in crystallized or powder form. The research, led by Dr Steve Liddle of the School of Chemistry, has resulted in the first uranium-nitrogen triple bond, a 'trophy molecule' that has eluded scientists for decades. The research was supported by the UK National Electron Paramagnetic Resonance (EPR) Facility, funded by EPSRC and based in the Photon Science Institute at The University of Manchester. The breakthrough could have future implications for the nuclear energy industry - uranium-nitride materials may potentially offer a viable alternative to the current mixed oxide nuclear fuels used in reactors.

New UK Centre for Carbon Capture and Storage research to be established

EPSRC and the Department of Energy and Climate Change (DECC) announced in April 2012 a £13m investment to establish a UK Carbon Capture and Storage (CCS) Research Centre. The new Centre, which will have its coordination base at the University of Edinburgh, will bring together over 100 of the UK's world-class CCS academics and provide a national focal point for CCS research and development. The Centre will be a virtual network where academics, industry, regulators and others in the sector can collaborate on analysing problems and undertaking world-leading research. A key priority will be to support the UK economy by driving an integrated research programme that is focused on maximising the contribution of CCS to a low-carbon energy system for the UK.

Investment promises stronger, greener UK

In January 2013 EPSRC announced it was investing £12.9m in the UK Catalysis Hub, a UK-wide research programme into catalytic science focused on supporting UK economic growth while helping reduce CO₂ emission, produce cleaner water and generate more sustainable energy. The UK Catalysis Hub, based at the Research Complex at Harwell in Oxfordshire, will co-ordinate multidisciplinary researchers and chemical engineers from over 30 different universities. The investment will provide a focal point for the UK's leading expertise in this area, helping scientists further develop their skills and undertake cutting edge research to drive sustainable growth. Catalysis science is at the heart of key industrial processes and manufacturing and is critical to the UK's chemical, energy, pharmaceutical, food, personal care and materials sectors.

EPSRC-funded liquid air research – On Air

A demonstration project, showing how liquid air can be used as a mechanism for storing surplus energy from renewable power generators such as wind turbines, featured on the BBC's flagship radio news programme, Today, in October. The programme highlighted a Slough-based pilot scheme that emerged from EPSRC-funded research at the University of Leeds. Dr Tim Fox from the Institution for Mechanical Engineers explained the science and how the technology can be used to take the power from turbines to cool the air into a liquid, stored and then vapourised to generate energy for use at peak times. The original research led by Professor Yulong Ding won both the Grand Prix and Energy category in *The Engineer* magazine's 2011 Technology and Innovation Awards.

Inspiring the next generation of researchers

EPSRC was pleased to support Dr Peter Wothers' delivery of the Royal Institution's Christmas Lectures, entitled *The Modern Alchemist*, which were aired on BBC Four during the 2012 Festive Season. During the lectures, Dr Wothers unpicked the chemistry of the world around us – looking at Air, Water and Earth – three of the original ancient Greek 'elements' that tantalised alchemists for centuries. Dr Gail Cardew, Director of Science and Education at the Royal Institution said: "EPSRC's support of the Christmas Lectures demonstrates its commitment to public engagement with science... It is exciting to think how many young people who watch the lectures will be inspired to become our next generation of scientists...."

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 2012-13 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 £20.2m, from £816.2m to £836.4m. About 93% of EPSRC's net expenditure is on Research, Training and Fellowship grants (2011-12 93%) and around 3% is on facilities grants and contributions, and the Energy Technologies Institute (ETI) (2011-12 4%).

The increase in expenditure is mainly due to a £45m increase in Research and a reduction of £20.9m in Postgraduate awards, Research Fellowships and ETI expenditure. The increase in Research is due to additional funding from BIS for capital programmes of £25m, and Open Access grants £10m. The reduction in Postgraduate Training is mainly due to the Collaborative Training Awards, many of which underspent significantly. In addition to this there is a £5m reduction in ETI expenditure. EPSRC's funding to ETI is used for specific projects and the projects funded this year had a lower spend pattern compared to 2011-12.

Other operating income increased by £2.6m with most of that attributable to an increase in Research income. This is partly due to a £5m contribution from DECC to set against a research grant payment for the same amount.

Net liabilities decreased by £14.9m from -£36.7m to -£21.8m. This was as a result of:

- A reduction in Non-Current Assets of £11.5m. The reduction of £7.9m in Property, Plant and Equipment is mainly due to the large depreciation charge for the HECToR supercomputer and no significant additions. Last year's Asset Under Construction of £8.9m at the HECToR facility has transferred to an operational asset this year. Intangible assets rose by £0.2m due to the creation of the Gateway to Research website which is still an Asset Under Construction. Investment assets fell by £3.8m due to the sale of the Shared Services Centre to BIS;
- An increase in receivables of £6.6m mainly due to a timing issue. An invoice for £5m was raised at the end of March 2013 and paid in April;
- An increase in cash held of £10.4m which is reflected in the increase in Grant-in-Aid drawn down. This is a normal operational reserve to hold. In 2011-12 the Grant-in-Aid drawn was not enough to cover expenditure hence the far lower balance and this also explains the increase of £8.7m in 2011-12 payables over 2012-13;
- Provisions are now nil due to the completion of EPSRC's voluntary exit programme, (2011-12 £0.7m).

Government Funds at 31st March 2013 showed a deficit of £21.8m (2011-12 £36.7m). The net deficit reduction of £14.9m reflects the net increase in assets of £6m and the net reduction in liabilities of £9m.

Total Grant-in-Aid drawn down was £849m (2011-12 £804m).

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 Universities and Science, announced the EPSRC's financial allocations for 2011-12 through to 2014-15. 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 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 Institutions*. 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 year (2011-12) exceeded the planned £30.5m with details provided in the programme's annual report at

<http://www.rcuk.ac.uk/documents/publications>

The combined saving for the second year (2012-13) are £82.2m rising over the four year Spending Review period to reach a total of £428m 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 would 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 RCUK Shared Services Centre Ltd (UK SBS) and during 2012-13 82.4% of invoices were paid within 5 days (2011-12 58%). During 2012-13 93.2% of invoices were paid within 30 days (2011-12 89%). The aggregate amount owed to trade creditors as a proportion of invoiced expenditure in 2012-13 was 19.2% (2011-12 4.3%).

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 2012-13. 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 four members of Council together with other members from the commercial and academic communities. Representatives are also in attendance from National Audit Office (NAO) and Audit and Assurance Services Group (AASG). 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 us to develop, implement and modify plans, and to make appropriate recommendations to our 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.

The Network was established in June 2011, replacing the previous advisory bodies of the Technical Opportunities Panel, User Panel and Societal Issues Panel

Financial Risk Management and Going Concern

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

Equality of Opportunity

The EPSRC has a policy of non-discrimination against people on the grounds of the protected characteristics as defined in the Equality Act 2010. This applies in recruitment, training, promotion and to all aspects of employment within EPSRC

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 moved from inclusion in the Sunday Times "Best Places to Work in the Public Sector" survey to the CSPS.

The reasons for this change included:

1. Alignment to Civil Service platforms as part of the public sector efficiency and reform programme;
2. Value for money in relation to cost of product and service;
3. Survey tool being fit for purpose for a non-departmental public body.

EPSRC employees were invited to participate in the CSPS, conducted by ORC on behalf of the Civil Service. The results of the survey help us to gauge levels of employment engagement and determine a response plan.

There were 57 statements in total. The scores from this were then used to gauge the overall level of engagement in EPSRC under the following drivers of engagement:

1. Leadership and managing change;
2. My work;
3. My line manager;
4. Pay and benefits;
5. Learning and development;
6. Resources and workload;
7. Organisational objective and purpose;
8. My team;
9. Inclusion and fair treatment.

Participation in the survey was 75%. The Employee Engagement (EE) index for EPSRC was 55% against an average index of 58% and the EPSRC Executive Leadership Team (ELT) has agreed to a long term ambition to achieve an EE index in the upper quartile, currently 63%.

The Making a Difference Team (MaDT)

The MaDT continues as an autonomous, self-directed team of employees which determines its own agenda based on input from colleagues. The team has direct access to the CEO. The team's purpose is "Giving everyone the opportunity to engage with and contribute to initiatives that change the organisation for the better".

One of this year's highlights was in May 2012, the MaDT launched the ELT-approved Employee Volunteering scheme for rollout across EPSRC. The scheme allows EPSRC employees (at line managers' discretion) to take up to 2 days special leave per annum to participate in voluntary activities organised through agreed suppliers - Involve Swindon, who work with a wide variety of local charities to provide volunteering opportunities in Swindon, allowing EPSRC volunteers to contribute to the local community and the STEMNET (science, technology, engineering and maths network) Ambassadors Scheme, a national volunteering organisation funded by BIS that is designed to promote science, technology, engineering and maths (STEM) to children, and so reflects EPSRC's mission and vision.

Mindful Employer

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

Staff Sick Absences

During 2012-13 a total of 1,682 days were lost due to staff sickness absences, representing 3.6% of total full time equivalent working days. EPSRC's sick absence data is as follows:

	2012-13	2011-12
Average number of staff during the year	209	236
Total days lost to sickness	1,682	2,768
Average working days lost	8.1	11.7

Exclusion of long term absences i.e. absences greater than 60 days reduces the average working days lost to 2.5. During this period, there were 7 long-term absences, averaging 75 days each.

The average level of employee absence in the UK in 2012 was 7.7 days; 9.0 days in the public sector (Absence Management 2012, Annual survey report from the CIPD).

The most common causes of absence are shown below:

Cause	Number of Days Lost	
	2012-13	2011-12
Post Operative	299	146
Cold/ Cough/ Flu	287	322
Gastrointestinal	120	84
Back Problems	120	47
Anxiety/Depression	90	567
Headache/Migrane/Concussion	48	89

Employee Involvement

Employee involvement in management and policy matters has continued through ongoing dialogue between all colleagues within EPSRC and its hosted functions, Research Councils UK (RCUK) and Joint Reprographic Service (JRS). The HR Business Partner group leads on these activities, and will continue to engage with colleagues on an ongoing basis. 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 (d) to the Accounts, the Research Council Pension Scheme (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; 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 Sustainability	2011-12	2010-11
CO ₂ /FTE	1.28 tonnes	1.69 tonnes
Water consumed (m ³)/FTE	8.7 m ³	11.9 m ³
Non-recycled waste/FTE	0.02 tonnes	0.03 tonnes

The above table has been extracted from the 2011-12 Performance Statement published by the Property Benchmarking Service published in January 2013. No numbers are available for 2012-13.

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

Auditors

The Accounts of the EPSRC are audited by 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 2012-13 was estimated to be £78k (2011-12 £75k), £75k of which related to the audit of the 2012-13 accounts.

Internal Audit Services were provided by the Research Councils AASG in 2012-13 and details of their audits and findings are set out in the Governance Statement.

As of this date 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 2012-13:

Chair

Dr Paul Golby, Chair, CBE, FREng

Chief Executive

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

Members

Professor Anne Anderson, OBE	University of Glasgow
Professor Andrew Blake, FRS, FREng	Microsoft Research Ltd
Mr Jack Boyer	Illica Plc
Professor John Fisher, CBE, FMedSci	University of Leeds
Professor Sir Richard Friend, FRS, FREng	University of Cambridge
Professor Vernon Gibson, FRS	Ministry of Defence
Professor Andrew Hamilton, FRS	University of Oxford
Professor Dame Julia King, DBE, FREng	Aston University
Professor Timothy Pedley, FRS	University of Cambridge
Professor John Perkins, CBE, FREng	BIS
Professor Roy Sambles, FRS	University of Exeter
Professor Pierre-Louis Viollet	EDF
Dr David Watson	IBM UK Ltd
Professor Jeremy Watson, FREng	Arup
Professor Lord Robert Winston, FRS, FMedSci, Hon FREng	Imperial College London
Dr Anthony Wood	Pfizer

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 2013 were:

Professor Timothy Pedley, FRS
Professor Pierre-Louis Viollet
Professor Lord Robert Winston, FRS, FMedSci, Hon FEng
Dr Anthony Wood

New members appointed to Council in April 2013 were:

Name	Organisation
Professor Anthony Finkelstein, FEng, FCGI	University College London
Professor Richard Jones, FRS	University of Sheffield
Dr Helen Neville	P&G Service GmbH

EPSRC RESOURCE AUDIT COMMITTEE (RAC) MEMBERSHIP 2012-13

Name	Organisation
Professor Roy Sambles, FRS	University of Exeter
Ms Rosie Drinkwater, FCA	University of Warwick
Professor Dame Julia King, DBE, FEng	Aston University
Mrs Caroline Walker, FCCA, CIPFA	University of Loughborough
Dr David Watson (reappointed 2012-13)	IBM UK Ltd
Professor Jeremy Watson, FEng	Arup

In attendance:

NAO and AASG

There were no new members appointed to RAC in April 2013.

EPSRC STRATEGIC ADVISORY NETWORK (SAN) MEMBERSHIP 2012-13

Name	Organisation
Ms Jane Bevis	British Retail Consortium
Professor Brian Collins	University College London
Professor Rachel Cooper	Lancaster University
Professor Alicia El Haj	Keele University
Mr Peter Ellingworth	Association of British Healthcare Industries
Professor Patrick Grant	University of Oxford
Professor David Hand	Imperial College London
Mr Tom Hockaday	Isis Innovation
Professor Alan Hughes	University of Cambridge
Professor Neville Jackson	Ricardo plc
Professor Richard Jones	University of Sheffield
Professor Andrew Mackenzie	University of St Andrews
Professor Phil Macnaghten	Durham University
Professor Tom Melham	University of Oxford
Dr Kenny Mitchell	Black Rock Studio
Professor Philip Nelson	University of Southampton
Dr Rachel O'Reilly	University of Warwick
Professor Richard Owen	Exeter University
Professor John Pethica	Royal Society
Professor Judith Petts	University of Southampton
Mr Tim Radford	Independent
Professor Paul Raithby	University of Bath
Mr Ian Risk	EADS Innovation Works UK
Professor Tom Rodden	University of Nottingham
Mr Martin Sadler	HP Systems Security Laboratory
Dr Richard Seabrook	Wellcome Trust
Mrs Alison Starr	GE Aviation
Professor Ian White	University of Cambridge
Professor Rhodri Williams	Swansea University
Dr David York	Proctor and Gamble
Paul Younger	University of Glasgow



Professor David Delpy, Accounting Officer

20 June, 2013

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, Accounting Officer	1 September 2007	31 March 2014	3 months
Mrs C Coates, Director	Permanent Contract	31 December 2012	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

AUDITED INFORMATION

Salary and Pension Entitlements

The following section provides details of the remuneration and pension interests of the Chief Executive, ELT members, Directors and EPSRC Council members

Remuneration

Chief Executive & Senior Staff	2012-13 Salary £000 (a)	2012-13 Performance Related Bonus £000 (b)	2011-12 Salary £000 (a)	2011-12 Performance Related Bonus £000 (b)
Professor D Delpy (b) Chief Executive	145-150	to be decided	145-150	5-10
Mrs C Coates (c) Director (left 31/12/12)	55-60	0-5	75-80	0-5
Mr A Emecz (c) Director	75-80	0-5	70-75	0-5
Dr C Hayter Associate Director	60-65	n/a	60-65	n/a
Mr A Lewis (c) Director	80-85	0-5	75-80	0-5
Dr L Thompson (c) Director	75-80	0-5	70-75	0-5
Dr N Viner Associate Director	60-65	n/a	60-65	n/a
Dr A Wall Associate Director	60-65	n/a	60-65	n/a

	2012-13	2011-12
Mid point of the band of highest paid Director	£155,000	£155,000
Median remuneration of EPSRC's staff	£29,566	£29,271
Ratio	5.24	5.30

- a) "Salary" includes gross salary, overtime, recruitment and retention allowances and any other allowance to the extent that it is subject to UK taxation.
- b) The Chief Executive's salary includes a responsibility allowance. 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.
- c) 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.
- d) The average annual earnings increase (excluding bonuses) for all these members of staff between 2011-12 and 2012-13 was 5%. A number of senior managers have changed their responsibilities following a reduction in the size of the leadership team.
- e) There were no benefits in kind paid to any of these members of staff in 2012-13.
- 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 2012-13 was £155,000 (2011-12, £155,000). This was 5.24 times the median remuneration of the workforce, which was £29,566 (2011-12 £29,271).
- (iii) In 2012-13 no (2011-12 none) employees received remuneration in excess of the highest-paid director. Remuneration ranged from £17,493 to £90,000 (2011-12 £17,129 to £78,982)
- (iv) The ratio between the mid point of the band of the highest paid director and the median remuneration of EPSRC staff was 5.24% in 2012-13 (2011-12 5.3%). This change has arisen due to the highest paid director's salary range remaining fixed and an increase in the median staff salary of 1%.

Pension Benefits

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 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. The CETV includes any lump sum payments due on retirement.

The real increase in CETV reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

Chief Executive, Directors and Associate Directors	Accrued pension at age 60 as at 31- 03-13 or at date of leaving £'000	Real increase in pension at age 60 £'000	CETV at 31-03-13 £'000	CETV at 31-03-12 £'000	Real increase in CETV £'000
Professor D Delpy Accounting Officer*	-	-	-	1,913	-
Mrs C Coates Director (31-12-12**)	30-35 plus 90-95 lump sum	0-2.5 plus 0-2.5 lump sum	724	677	13
Mr A Emecz Director	20-25 plus 60-65 lump sum	0-2.5 plus 2.5-5 lump sum	360	309	32
Dr C Hayter Associate Director	10-15 plus 30-35 lump sum	0-2.5 plus 2.5-5 lump sum	152	131	12
Mr A Lewis Director	25-30 plus 80-85 lump sum	2.5-5 plus 5-10 lump sum	438	374	41
Dr L Thompson Director	30-35 plus with no lump sum	2.5-5 with no lump sum	550	472	49
Dr N Viner Associate Director	20-25 plus 60-65 lump sum	0-2.5 plus 0-2.5 lump sum	369	337	13
Dr A Wall Associate Director	20-25 plus 30-35 lump sum	0-2.5 plus 0-2.5 lump sum	363	317	26

*left the RCPS

**left EPSRC

Council Members Remuneration

The Chairperson and the Council Members are appointed by BIS on behalf of the Secretary of State. The contract terms vary between individual members, but the terms and conditions of appointment are standard. EPSRC provides each member of Council with a Code of Practice which sets out a framework in which they are expected to operate.

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

Council Members	2012-13 Remuneration £	2011-12 Remuneration £
Dr Paul Golby (Chair), CBE, FREng	16,430	-
Professor Anne Anderson, OBE	6,850	6,850
Professor Andrew Blake, FRS, FREng	6,850	-
Mr Jack Boyer	6,850	6,850
Professor John Fisher, CBE, FMedSci	6,850	6,850
Professor Sir Richard Friend, FRS, FREng	6,850	-
Professor Vernon Gibson, FRS	-	-
Professor Andrew Hamilton, FRS	6,850	-
Professor Dame Julia King, DBE, FREng	6,850	-
Professor Timothy Pedley, FRS	6,850	6,850
Professor Roy Sambles, FRS	9,110	9,110
Professor Pierre-Louis Viollet	6,850	6,850
Dr David Watson	6,850	6,850
Professor Jeremy Watson, FREng	2,569	-
Professor Lord Robert Winston, FRS, FMedSci, Hon FREng	6,850	6,850
Dr Anthony Wood	-	-



Professor David Delpy, Accounting Officer
20 June, 2013

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.

The Department for 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

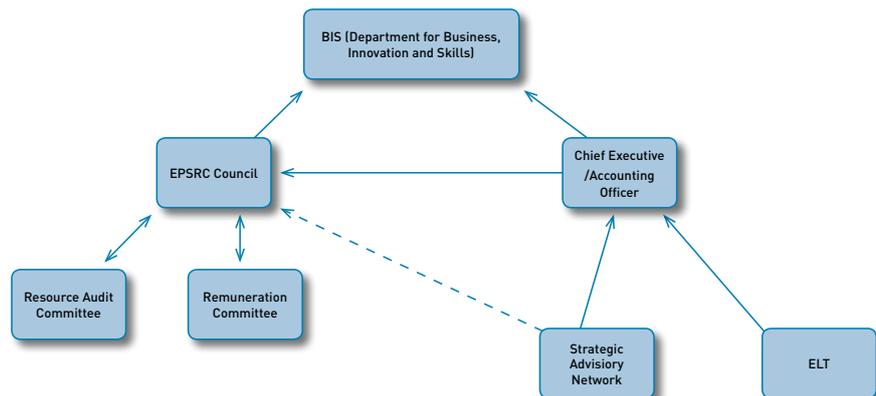
EPSRC GOVERNANCE STATEMENT 2012-13

Scope of responsibility

As Accounting Officer, I have 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 personally 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, BIS. I am supported in my role as Accounting Officer by a governance framework which includes the Council, its Committees and Senior Management Officials.

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, Strategy and Delivery Plan. It 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 the Council. 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 its sub-committee, the RAC.



Members of Council, and of EPSRC's committees, are listed on pages 11-13. 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. The Council had a 75% attendance rate in 2012-13.

In 2012-13 discussion at Council focused on:

Engagement with our community

Understanding issues related to the Open Access publication of research

Strategic funding opportunities, especially with regard to capital

Maximising the impact of our investments.

The Council has determined that it will undertake a self-assessment of their effectiveness. The outcome of the review will be reported in next year's governance statement.

RAC, which includes independent members in addition to Council members, 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 on Council; and overseeing the work of internal and external auditors. RAC had an 83% attendance rate in 2012-13.



It supports Council by:

Ensuring appropriate arrangements are in place for risk management, governance and operational effectiveness;

Overseeing the work of internal and external auditors;

Reviewing the annual financial statements on behalf of Council.

The ELT, comprising myself, as Chief Executive, Directors and Associate Directors, is the executive body for EPSRC and is responsible for managing EPSRC operations and finances in line with EPSRC Delivery Plan 2011-15, as well as monitoring associated risks.

The 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 30 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.

Risk management

Our business is to support independent, high quality research that has an impact upon business, the public sector and third sector. At any one time we support over 7,000 researchers and postgraduate students in academic institutions and independent research institutes. In terms of what we do our risk appetite is high by encouraging research at the frontier of knowledge, the development of innovative research methods and cover sensitive topics such as Global Security. Whilst what we do can be risky we have a low risk appetite in terms of the way we do business. We work only with UK eligible research institutions and make our investment decisions using a transparent peer review process details of which can be found on the following website.

www.rcuk.ac.uk/research

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

Strategic risks are identified by the ELT and regularly reviewed by RAC and Council. It is through this review process that EPSRC is able to understand the key headline risks that impact on the delivery of EPSRC's business and enables mitigation actions to be discussed, agreed and implemented.

Risk reports have been regularly reviewed by Council and the RAC who have been satisfied with the management of EPSRC risk during 2012-13. In addition during 2012-13 both Council and the RAC have received specific reports covering the following EPSRC business critical projects that has enabled strategic discussions to take place:

Shaping Capability Implementation Project and

ARCHER (Advanced Research Computing High End Resource).

Key internal control activities

Data Security

In 2012-13 EPSRC was re-categorised, within the HMG Security Policy Framework (SPF), to 'low risk'. EPSRC will still work towards compliance with the SPF, and any breaches of data security will still be reported, but a full Security Risk Management Overview (SRMO) Annual Return will not be required for 2012-13.

Transparency

EPSRC is committed to the government's Transparency Agenda and has published data relating to staff numbers and salaries on EPSRC website www.epsrc.ac.uk/about/standards/transparencyagenda/2012 and the HM Government open data portal (www.data.gov.uk) over the course of 2012-13. In addition, during 2012-13 EPSRC published on its website monthly reports detailing financial transactions over £25,000 and credit card transactions over £500 and from January 2013 began publishing all transactions.

Tax arrangements of public sector appointees

I can confirm that throughout 2012-13 all senior officials were paid through EPSRC's standard payroll processes. There have been no appointments requiring EPSRC to seek assurance regarding the income tax and NICs obligations of the appointee. Council members are 'office holders', as defined in HMRC guidance, and their remuneration is subject to income tax and NICs under PAYE where applicable. 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.

The Alexander Review of non-payroll appointments recommended a three phased approach to ensuring tax transparency while avoiding the imposition of significant administrative burdens:

- the most senior staff to be on the payroll, unless there are exceptional temporary circumstances;
- employers to ensure that they have the right to seek assurance about the tax arrangements of long-term specialists contractors; and
- monitoring after one year, with sanctions applied to departments who have not abided by these recommendations.

EPSRC is required to provide a year-end assurance confirming that off-payroll appointments are compliant with this policy and consistent as far as is practicable with the compliance approach identified and implemented by BIS to minimise risk. The approach highlights actions we have taken and intend to take to meet the requirements,

EPSRC has taken appropriate steps to implement the recommendations of the Alexander Review:

- The remuneration of all Directors and Office Holders (e.g. Members of Council) and that of Senior Managers is subject to income tax and National Insurance contributions via EPSRC's PAYE arrangements.
- EPSRC has reviewed the contracts and tax arrangements of those temporary agency/contractor staff in post at 1 August 2012. It has sought and obtained appropriate disclosures on a voluntary basis, pending the introduction of contractually-binding disclosure clauses in the relevant supply contracts to cover new appointments. It has also repeated the process for any such staff recruited after this date to supplement the procedural changes referred to below.
- In the current year EPSRC identified 9 contractors who fell within the Alexander Review criteria. EPSRC has sought and gained assurance via written communication with the contractors employed.
- EPSRC's procurement agent, the Procurement Group within the UK SBS has incorporated the necessary "disclosure clauses" in the series of Preferred Supplier contracts, against which authorised EPSRC Managers may engage agency and contract staff. (This gives Research Councils the right to demand disclosure.) It has also sought to reflect the IR35 Risk Matrix in guidance provided to the manager and has introduced an enhanced Business Entity test to be completed by individuals prior to engagement.
- The Procurement Group has subsequently turned its attention to suppliers of specialist technical and engineering contractors with view to ensuring the same standard of disclosure as in the multi-Council Preferred Supplier contracts.

-
- In summary, EPSRC's arrangements in respect of this small but important workforce group (typically some 3% of its workforce) is compliant with the recommendations of the Alexander Review but some work still needs to be done during the next year to convert a small number of specialist contracts.

Austerity Measures

EPSRC has robust control processes in place to review and manage expenditure on procurement, travel, events and hospitality in keeping with the austerity measures introduced in May 2010. Monthly datasets of Accounts Payable transactions are reviewed and signed off by the Director of Resources.

Managing Risk of Financial Loss (MRoFL)

The MRoFL initiative was introduced by HM Treasury in 2011-12 and adopted by BIS and its Partner Organisations. It covered transaction processing systems that resulted in payments or receipts in six core financial systems: Procurement, Payroll, Expenses, Funding and Grants.

Taxation / Commercial Income.

A cross-Research Council project concluded on a satisfactory rating for 2011-12 although a number of remedial actions and issues were identified. Good progress has been made to address the issues raised with a range of governance related actions embedded within business as usual activities. AASG have also embedded MRoFL focused work into the overall assurance strategy for 2012-13, which provided Substantial Assurance for EPSRC.

Counter Fraud

EPSRC requires all staff, including Council, Committee, Panel, Peer Review College and Advisory Board members, to act honestly and with integrity and to safeguard the public resources for which they are responsible at all times. However, in April 2013 UK SBS Ltd informed me that it had been the subject of a number of instances of attempted fraud, which had been identified and avoided and were now subject to an investigation.

UK SBS Ltd has provided me with assurance that it is dealing with the matter appropriately, with regards to both the fraud attempts and necessary improvements to control frameworks, and that it is not aware of any fraud or suspected fraud affecting UK SBS Ltd or the Research Councils. I consider the level of risk of financial loss to which the EPSRC has been exposed to be low and I am confident that the EPSRC's financial statements for 2012-13 are free from material misstatement from fraud. EPSRC plans to arrange counter fraud training for staff in 2013-14.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of governance, risk management and internal control at EPSRC. In 2012-13 this review has been informed by the work of EPSRC's Directors, the Resource Audit Committee, the internal audit service provided by the 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 an annual report on their stewardship and management within their Directorates. The stewardship reports have highlighted that there remains weakness in relation to the reliability of Management Information. The underlying source data is not as consistently robust as I would like and the identified risks within the UK SBS processes mean that full assurance can't be given in these areas. I have in place additional manual processes to mitigate these weaknesses.

Resource Audit Committee (RAC)

RAC reviews the effectiveness of governance, internal control and risk management within the organisation and submits quarterly reports to Council highlighting any issues (summarised above). I have reviewed the reports for 2012-13 in preparing this statement.

Internal Audit and Assurance Service Group (AASG)

In 2012-13 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 3 blocks of activity. The specific audits undertaken in each block were:

- EPSRC Specific (weighted assurance – 50% of overall assurance opinion)
 - AASG audits of the EPSRC covered 10 separate areas, all of which received substantial assurance.
- Cross Research Council (weighted assurance – 20% of overall assurance opinion)
 - 9 cross Research Council audits were conducted, all of which received substantial assurance.
- UK SBS Assurance weighted assurance (30% of overall assurance opinion)
 - 16 end to end audits of business processes were conducted as well as 5 audits of Control Effectiveness.

The UK SBS audits were undertaken, where issues had been highlighted, to provide reasonable assurance that an adequate control framework is in place across the end-to-end business processes and that the control framework is operating effectively. 13 of the audits received an overall assurance of substantial, 5 limited assurance and 3 were purely advisory.

There were 5 particular areas of concern highlighted by AASG:

- Documentation to support, review and update Oracle database security configuration;
- Network maintenance and access controls;
- The control framework for master data;
- The management assurance framework;
- IT governance and an IT security strategy.

The internal audit reports into 'End-to-End Process Governance', 'Master Data Maintenance' and 'Network Security' within UK SBS Ltd provided limited assurance. Between these audits there were a total of 10 high priority recommendations. Also, an audit investigating 'Application Security' received an overall rating of substantial assurance but two of the four areas covered by the audit received limited assurance, and one of the resulting recommendations duplicates a recommendation in the Master Data Maintenance audit. Responsibility for management action in these areas is within UK SBS Ltd.

In April 2013 UK SBS Ltd informed me that it had been the subject of a number of instances of attempted fraud which had been identified and avoided, and were now subject to an investigation. Follow up work by AASG concluded that the control framework for Master Data Maintenance had some identified risk exposures which were being addressed to reduce vulnerability. As such, the issues highlighted by these fraud attempts relate directly to the findings of recent internal audit reports on the controls and security framework operating within UK SBS Ltd which identified specific control weaknesses. In addition, these weaknesses had been identified by internal audit reports in earlier years and measures to address them had been recommended previously by AASG. I consider the level of risk of financial loss to which EPSRC has been exposed to be low. However, I am concerned that the limited assurance provided by internal audit work with regard to some elements of the controls and security framework within UK SBS Ltd represents an area of risk for the EPSRC which I am not able to directly manage.

UK SBS Ltd has provided me with assurance that it is dealing with the matter appropriately, with regards to both the fraud attempts and necessary improvements to control frameworks, and that it is not aware of any fraud or suspected fraud affecting UK SBS Ltd or EPSRC. In the coming year the EPSRC Audit Committee will review the outcomes of internal audit work by the AASG to check that improved control frameworks have been implemented and assess the evidence that they are adequate and effective.

Based on the work of internal audit, the Director of AASG was able to provide substantial assurance that the systems of internal control in place at EPSRC for 2012-13 were operating effectively.

External Audit

I have reviewed comments made by our external auditors, NAO, in their 2011-12 Audit Completion Report and am satisfied that EPSRC has taken the actions required to address the audit findings.

Research Councils' Funding Assurance Programme

Funding assurance activities are now encompassed within the overall remit of AASG. 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 which accompany grant funding. A further strand of work focuses on the scrutiny of the costing methodology used in research organisations, which for universities is the Transparent Approach to Costing (TRAC). In 2012-13, 32 assurance assignments were undertaken, comprising of 17 visits and 15 desk based reviews. Findings for the year indicate that a satisfactory level of assurance can be reported based on the work undertaken.

Client Services Group (CSG)

CSG represents all seven Research Councils in their collective relationship with UK Shared Business Services (UK SBS) Ltd (previously RCUK SSC Ltd) as clients. This executive group has an active role in an assurance framework, established by BIS in advance of UK SBS Ltd taking on new clients, which is focussed on UK SBS Ltd stabilisation and which is informed by AASG audit work. The purpose of this framework is to ensure that the control structures surrounding the end-to-end business processes, shared between the Research Councils and UK SBS Ltd, are suitably designed, established and operating as intended.

During 2011-12 RCIAS (now AASG) carried out 20 audits covering RCUK SSC Ltd (now UK SBS Ltd) end-to-end business processes and the underlying control and security framework. During 2012-13 AASG reviewed all outstanding recommendations, seeking evidence of both implementation and effectiveness. All recommendations prioritised by the Research Councils and RCUK SSC Ltd (now UK SBS Ltd) as critical to stabilisation were validated as being closed by October 2012. However, their effectiveness continues to be monitored as part of the on-going review process. In addition a revised suite of performance indicators have been put in place and the latest analysis indicates that the overall direction of travel is positive. Stabilisation was formally signed off in 2012-13, but CSG continues to monitor UK SBS Ltd performance to ensure that service, not just maintains current standards, but continues to improve.

In 2013-14, the CSG will be replaced as new UK SBS Ltd clients come on board and the governance structure evolves. The Research Councils will continue collectively to participate within these new arrangements in order to gain assurance regarding the control structures in place for those processes which are shared with UK SBS Ltd.

Conclusion

The conclusion of my review is that EPSRC's overall governance and internal control structures are sound and ensure that public money is properly accounted for and used efficiently and effectively.



Professor David Delpy, Accounting Officer

20 June, 2013

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

I certify that I have audited the financial statements of the Engineering and Physical Sciences Research Council for the year ended 31 March 2013 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 Council's and Chief Executive's Responsibilities, 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 the 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. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Engineering and Physical Sciences Research Council's affairs as at 31 March 2013 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.

ACCOUNTS

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 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.

Amyas C E Morse
Comptroller and Auditor General
24 June, 2013

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

ACCOUNTS

Statement of Account

ENGINEERING AND PHYSICAL SCIENCES RESEARCH COUNCIL STATEMENT OF COMPREHENSIVE NET EXPENDITURE

For the year ended 31 March 2013

		2012-13	2011-12
	Notes	£000	£000
EXPENDITURE			
Research	4	583,126	538,413
Energy Technologies Institute LLP	5	12,251	17,840
UK Research Facilities	6	11,985	12,392
International Subscriptions	7	542	868
Postgraduate Awards	8	174,703	185,488
Research Fellowships	9	51,269	55,825
Staff Costs	10	11,129	12,293
Other Expenditure	11	20,808	19,849
Impairment of Joint Venture	14	608	-
Share of Losses of Joint Ventures	14	-	696
Total Expenditure		866,421	843,664
INCOME			
Other Operating Income	3	30,061	27,494
Net Expenditure		836,360	816,170
Non Operating Income	3	-	5
Net Expenditure after Interest and Non Operating Income		836,360	816,165
Other Comprehensive Expenditure			
Net Loss/(Gain) on Revaluation of Property Plant and Equipment	12	2,300	(388)
Net Loss/(Gain) on Revaluation of Intangibles	13	-	(4)
Total Comprehensive Expenditure for the year		838,660	815,773

The Notes on pages 31 to 52 form part of these Accounts.

ACCOUNTS

Statement of Account continued

ENGINEERING AND PHYSICAL SCIENCES RESEARCH COUNCIL STATEMENT OF FINANCIAL POSITION

As at 31 March 2013

	Notes	31 March 2013 £000	31 March 2012 £000
NON-CURRENT ASSETS			
Property, plant and equipment	12	20,108	27,999
Intangible assets	13	183	6
Investment in Joint Venture	14	-	3,759
Total non-current assets		20,291	31,764
CURRENT ASSETS			
Trade and other receivables	15	22,784	16,202
Cash and cash equivalents	16	13,920	3,518
Total current assets		36,704	19,720
Total assets		56,995	51,484
CURRENT LIABILITIES			
Trade and other payables	17	(78,790)	(87,547)
Provisions for liabilities and charges	18	-	(672)
Total current liabilities		(78,790)	(88,219)
NON CURRENT LIABILITIES			
Provisions for liabilities and charges		-	-
Assets less liabilities		(21,795)	(36,735)
TAXPAYER'S EQUITY			
Revaluation reserve		3,331	1,962
General Reserve		(25,126)	(38,697)
		(21,795)	(36,735)



Professor David Delpy, Accounting Officer

20 June, 2013

The Notes on pages 31 to 52 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 2013

	Notes	2012-13 £000	2011-12 £000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net Expenditure after interest		(836,360)	(816,165)
ADJUSTMENTS FOR NON-CASH TRANSACTIONS			
Write Offs		-	3
Amortisation		-	26
Depreciation and loss on disposal of assets	11	10,309	10,747
Impairment of Joint Venture	14	608	-
Share of Losses of Joint Venture	14	-	696
(Decrease)/Increase in Provisions	18	(672)	672
(Increase)/Decrease in Trade and other Receivables	15	(6,582)	50,331
(Decrease) in Trade and other Payables	17	(8,757)	(33,066)
Net Cash Outflow from Operating Activities		(841,454)	(786,756)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of Property, Plant and Equipment	12	(113)	(17,887)
Purchase of Intangibles	13	(183)	-
Disposal of share in Joint Venture	14	3,151	-
Disposal of Property, Plant and Equipment		1	80
Net Cash Inflow/(Outflow) from Investing Activities	-	2,856	(17,807)
Net Cash Outflow before Financing		(838,598)	(804,563)
CASH FLOWS FROM FINANCING ACTIVITIES			
Grant in Aid from BIS		849,000	804,000
Net Financing		849,000	804,000
Net Increase/(Decrease) in Cash and Cash Equivalents		10,402	(563)
Cash and Cash Equivalents at 1 April	16	3,518	4,081
Cash and Cash Equivalents at 31 March	16	13,920	3,518

The Notes on pages 31 to 52 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 2013

	Revaluation Reserve £000	General Reserve £000	Total Reserves £000
Balance at 1 April 2011	1,570	(26,532)	(24,962)
Net Gain on Revaluation of Tangible and Intangible Assets	392	-	392
Grant-in-Aid Financing received in year	-	804,000	804,000
Net Expenditure for the Year	-	(816,165)	(816,165)
Balance at 31 March 2012	1,962	(38,697)	(36,735)
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 Financing received in year	-	849,000	849,000
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)

The Notes on pages 31 to 52 form part of these Accounts.

ACCOUNTS

Notes to the EPSRC's Accounts

1. STATEMENT OF ACCOUNTING POLICIES

a) Basis of Accounting

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 the 2012-13 Government Financial Reporting Manual (FReM). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice in 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 EPSRC are described below. They have been applied consistently in dealing with items that are considered material to the Accounts.

The Accounts meet the accounting standards issued or adopted by the Accounting Standards Board so far as these requirements are appropriate in accordance with the FReM

b) Going Concern

These Financial Statements have been prepared on the basis of a Going Concern. Any deficit shown on the General Reserve will be extinguished over time, having regard to the resource and capital budgets to which EPSRC can be expected to have access.

In December 2010 David Willetts, Minister for Universities and Science, announced the EPSRC's financial allocations for 2011-12 through to 2014-15. The EPSRC considers that these allocations, while slightly reduced, will not materially affect the operations of the EPSRC and therefore the Accounts have been prepared on a going concern basis.

c) Adoption of New Standards

New standards and interpretations issued by the International Accounting Standards Board (IASB) and the International Financial Reporting Interpretations Committee (IFRIC), becoming effective during the year, have not had a material impact on the EPSRC's financial statements.

Adoption of new or revised standards effective and major FReM changes for 2012-13:

All International Financial Reporting Standards, Interpretations and Amendments to published standards, effective at 31 March 2013, have been adopted in these financial statements, taking account of the specific interpretations and adaptations included in the FReM.

d) Change in Accounting Policy

There have been no changes to accounting policy in the year.

e) 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 (2011-12 £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

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.

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

f) 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.

g) Ownership of Equipment Purchased with EPSRC Research 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.

h) Equipment Located Elsewhere

EPSRC owns assets with a combined net book value of £15.2m which are located elsewhere but are included in the Statement of Financial Position.

This figure includes the HECToR supercomputing facility, which came into operation in October 2007. At the Statement of Financial Position date the combined net book value of assets held at the facility in Edinburgh was £12.9m (2011-12 £20.4m).

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.

ACCOUNTS

Notes to the EPSRC's Accounts continued

i) Grant in Aid

Grant-in-Aid received for revenue purposes has been regarded as a contribution from a controlling party giving rise to a financial interest in the organisation. Hence, Grant-in-Aid has been accounted for as financing, not income and is credited to the General Reserve.

j) Revenue Recognition

Grant-in-Aid provided by BIS for revenue and general capital purposes is credited to the General reserve. In line with the terms of the agreement, contributions, co-funding and grants from other bodies (including other government bodies) are recognised in the income statement over the period in which EPSRC recognises as expenses the related costs for which the grant is intended to compensate. Revenue is recognised when goods are delivered and title has passed, and services in the accounting period in which the service is rendered.

k) 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.

l) 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.

m) Foreign Exchange

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.

n) 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 the 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.

The building for ARCHER was paid for via a capital grant and is owned by the University of Edinburgh. As a consequence, the cost is accounted for within Research Grants. Other ARCHER related assets will be paid for and owned by EPSRC in future years.

o) Value Added Tax

As EPSRC is partially exempt for VAT purposes, all items of expenditure and fixed asset purchases are shown inclusive of VAT where applicable. Residual input tax reclaimed under the partial exemption scheme is taken to the Statement of Comprehensive Net Expenditure as other income.

p) Pension Scheme

The employees of the Council are members of the RCPS which is an unfunded multi-employer defined benefit scheme funded from annual Grant-in-Aid on a pay as you go basis. The benefits are by analogy to the Principal Civil Service Pension Scheme, except that while the schemes provide retirement and related benefits based on final or average emoluments, redundancy and injury benefits are administered and funded by the Council. As permitted by paragraph 31 of IAS 19, the Company has recorded the pension contributions payable for the period as its charge to the Statement of Comprehensive Net Expenditure.

ACCOUNTS

Notes to the EPSRC's Accounts continued

q) Employee Benefits

Under IAS 9 'Employee Benefits' an entity is required to recognise short term employee benefits when an employee has rendered a service in exchange for those benefits. No material benefits have been recognised by EPSRC for the year ended 31 March 2013.

r) Derivatives and Other Financial Instruments

Due to the non-trading nature of its activities and the way in which EPSRC is financed, 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. EPSRC has very limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day to day operational activities and are not held to change the risks facing EPSRC in undertaking its activities.

Trade receivables are not interest bearing and are carried at original invoice amount less allowance for non collectable amounts. Provision for impairment is established when there is objective evidence that the Council 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 EPSRC is established or when the corresponding assets or expenses are recognised.

Receivables and payables which mature or become payable within 12 months from the Statement of Financial Position date have been omitted from the currency profile.

s) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances and call deposits.

t) Accounting Estimates

EPSRC makes estimates and assumptions that affect the reported amounts of assets and liabilities in the next financial year. Estimates and judgements are continually evaluated and based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances at the reporting date. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year are discussed below.

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.

u) Key Accounting Judgements

EPSRC's significant accounting policies are stated above. Not all of these policies require management to make difficult, subjective or complex judgements. Those that follow are intended to provide an understanding of the policies that management consider critical because of the level of complexity and judgement involved in their application and their impact on the financial statements.

- Provisions for Liabilities

Estimates are subject to uncertainty regarding timing or amounts of obligations (legal or constructive) due by EPSRC. Significant judgements are made regarding probability and measurement of obligations. Specifically EPSRC provides for the liability arising from Research and Training Grants by accruing expenditure that is due and also recording prepayments where the timing of payments is ahead of expenditure being incurred by grant holders.

ACCOUNTS

Notes to the EPSRC's Accounts continued

- **Impairment of Assets**

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.

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.

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 Operating Expenditure	-	-	1,634	8,865	10,499
Impairment of Joint Ventures	-	-	-	608	608
Depreciation	-	-	10,104	205	10,309
Total Operating Expenditure	605,192	225,972	18,896	16,361	866,421
Income	(20,653)	(869)	(5,726)	(2,813)	(30,061)
Net Expenditure	584,539	225,103	13,170	13,548	836,360

ACCOUNTS

Notes to the EPSRC's Accounts continued

2011-12	Research £000	Postgraduate training £000	Other Scientific Support £000	Other Administrative Support £000	Total 2012-13 £000
Research	536,151	-	2,262	-	538,413
Energy Technologies Institute LLP	17,840	-	-	-	17,840
UK Research Facilities	12,392	-	-	-	12,392
International Subscriptions	-	-	868	-	868
Postgraduate Awards	-	185,488	-	-	185,488
Research Fellowships	-	55,825	-	-	55,825
Staff Costs	-	-	4,582	7,711	12,293
Other Operating Expenditure	-	-	1,100	7,976	9,076
Losses in Joint Ventures	-	-	-	696	696
Depreciation	-	-	10,466	307	10,773
Total Operating Expenditure	566,383	241,313	19,278	16,690	843,664
Income	(18,413)	(1,800)	(4,468)	(2,818)	(27,499)
Net Expenditure	547,970	239,513	14,810	13,872	816,165

3. INCOME

	2012-13 £000	2011-12 £000
RCUK income	5,074	1,164
Income From Other Research Councils	10,358	15,104
Income From Central Government	10,549	4,626
Income From Other Bodies	4,080	4,745
Income for Services Provided	-	1,855
Total Operating Income	30,061	27,494
Non Operating Income	-	5
Total	30,061	27,499

	2012-13 £000	2011-12 £000
EU income	24	268
Cofunded Grants Income	21,649	24,012
Income for Services Provided	8,388	3,214
Total Operating Income	30,061	27,494
Non Operating Income	-	5
Total	30,061	27,499

ACCOUNTS

Notes to the EPSRC's Accounts continued

4. RESEARCH

Total gross expenditure on research grants shown by theme:

	2012-13	2011-12
	£000	£000
Digital Economy	27,859	25,826
Energy	107,148	104,339
Global Uncertainties	6,050	6,043
Healthcare	59,153	53,573
Living With Environmental Change	3,534	3,932
Public Engagement Programme	2,170	2,262
Manufacturing	50,284	50,306
National Capability Engineering	62,906	58,806
National Capability ICT	68,528	64,386
National Capability Infrastructure	73,989	52,772
National Capability Mathematics	24,638	22,394
National Capability Physical Sciences	96,867	93,774
Total Expenditure on Research	583,126	538,413

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 £12,251k (2011-12 £17,840k) to ETI LLP which have been expensed as EPSRC itself does not have an investment in ETI LLP.

ACCOUNTS

Notes to the EPSRC's Accounts continued

6. UK RESEARCH FACILITIES

	2012-13 £000	2011-12 £000
High Performance Computing:		
University of Edinburgh (HECToR)	7,583	7,137
Total High Performance Computing	7,583	7,137
Science and Technology Facilities Council facilities	3,040	3,495
Other Expenditure on Research Facilities	1,362	1,760
Total Expenditure on UK Research Facilities	11,985	12,392

EPSRC provides facilities to enable world class research. HECToR, a high end computing facility, was introduced in October 2007. At the Statement of Financial Position date, EPSRC held assets with a combined net book value of £12.9m at the HECToR facility.

7. INTERNATIONAL SUBSCRIPTIONS

Total amounts paid in the year for current operations:

	2012-13 £000	2011-12 £000
European Science Foundation (ESF)	159	487
International Fusion Research (ITER)	223	221
Institute des Hautes Etudes Scientifiques (IHES)	160	160
Total Expenditure on International Subscriptions	542	868

The 2011-12 charge for ESF included £233k of activities outside the main subscription. These activities are now show in Other Expenditure on Research Facilities (note 6).

ACCOUNTS

Notes to the EPSRC's accounts continued

8. POSTGRADUATE AWARDS

	2012-13 £000	2011-12 £000
Collaborative Training Accounts	23,403	44,851
Doctoral Training Grants	73,445	72,182
Dorothy Hodgkin Postgraduate Awards	1,565	4,984
International Doctoral Scholarships	67	179
Centres for Doctoral Training	74,682	61,887
Other Awards	1,541	1,405
Total Expenditure on Postgraduate Awards	174,703	185,488

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

9. RESEARCH FELLOWSHIPS

	2012-13 £000	2011-12 £000
Academic	239	7,766
Advanced	2,398	7,397
European Young Investigator (EURYI)	48	57
Post-Doctoral	5,200	7,591
Senior	535	1,399
Career Acceleration Fellowships	22,077	16,338
Leadership Fellowships	18,541	12,997
Other Fellowships	2,231	2,280
Total Expenditure on Research Fellowships	51,269	55,825

ACCOUNTS

Notes to the EPSRC's accounts continued

10. STAFF NUMBERS AND RELATED COSTS

(a) Staff Costs

	2012-13 £000	2011-12 £000
Salaries and Wages		
Permanent Staff	7,075	8,001
Agency Staff & Contract Personnel	1,166	781
Social Security Costs	548	579
Other Pension Costs	1,758	1,993
Council and Panel Members' Fees and Honoraria	105	319
Current Staff Costs	10,652	11,673
Net Early Retirement Costs	477	620
Total Expenditure on Staff Costs	11,129	12,293

(b) Staff Numbers

Average numbers of full-time equivalent employees during the year

	2012-13	2011-12
Senior Management	34	37
Managerial and Supervisory	145	155
Administrative Support	30	42
Average Number of Staff Employed	209	234
Contract Staff	12	9
Agency Staff	4	-
Total Average Number of Staff	225	243

(c) Remuneration of Council and Panel Members

The standard honorarium paid to Council members was £6,850 (2011-12 £6,850).

The standard daily attendance allowance paid to Panel members was £160 (2011-12 £160).

	Number	2012-13 £000	Number	2011-12 £000
Council Members' Annual Honoraria:	14	95	14	103
Daily Attendance Fees paid to Panel Members		270		104
Social Security Costs		2		2
		367		209
Chairman's Emoluments		16		16
Total Expenditure on Council and Panel Members		383		225

ACCOUNTS

Notes to the EPSRC's accounts continued

(d) Superannuation

The employees of EPSRC are offered membership to the 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 EPSRC. 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. During 2012-13 the employee contribution rates ranged between 1.5% and 3.5% depending on scheme with an additional contribution ranging from 0% to 2.4% depending on the pensionable salary. From 1 April 2013 the range for additional employee contribution rates has been increased 0% to 4.75% depending on 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 0.8 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 accrued pension quoted is the pension the member is entitled to receive when they reach pension age or immediately on ceasing to be an active member of the scheme if they are already at or over 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.

ACCOUNTS

Notes to the EPSRC's accounts continued

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. 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. It is expected that HM Treasury will issue further directions on pension scheme valuations during 2013.

For 2012-13 employers contributions of £1,758k were payable to RCPS (2011-12 £1993K) at 26% of pensionable pay, based on 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

(e) Compensation schemes and exit packages

The following table sets out the number of voluntary redundancy packages agreed in 2011-12.

Exit Package Cost Band	2012-13	2011-12 Restated	2011-12 Original*	Total Package £000s
< £10,000	-	-	-	-
£10,000 to £25,000	-	2	5	30
£25,000 to £50,000	4	10	7	521
£50,000 to £100,000	2	4	4	404
£100,000 to £150,000	-	1	1	122
Total Exit Packages agreed	6	17	17	1,077

*The 2011-12 original figures were based on provisional data.

11. OTHER EXPENDITURE

	2012-13 £000	2011-12 £000
Office Costs, Utilities and Services	7,544	6,519
Equipment and Supplies	863	751
Travel and Subsistence	764	643
Rent, Rates and Maintenance	655	818
Consultancies	353	125
External Auditors' Remuneration	78	75
Administration, subscriptions and bank charges	71	116
Write Offs and Recoveries	48	29
Non-Cash Items		
Depreciation	10,309	10,773
Impairment	123	0
Total Other Expenditure	20,808	19,849

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 2012	1,670	3,367	49,590	6142	1,419	8,887	71,075
Additions	-	-	-	22	91	-	113
Disposals	-	-	(586)	(436)	(205)	-	(1,227)
Assets Under Construction	-	-	-	-	-	-	-
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
Charged in 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
Cost or Valuation at 1 April 2011							
Cost or Valuation at 1 April 2011	1,625	3,275	31,483	5,980	1,429	9,083	52,875
Additions	-	-	9,000	-	-	8,887	17,887
Disposals	-	-	-	-	(47)	-	(47)
Reclassification	-	-	9,006	-	-	(9,006)	-
Impairments	-	-	(253)	(29)	-	(1)	(283)
Revaluations	45	92	354	191	37	1	720
Transfers	-	-	-	-	-	(77)	(77)
At 31 March 2012	1,670	3,367	49,590	6,142	1,419	8,887	71,075
Depreciation							
At 1 April 2011	-	14	28,774	2,834	702	-	32,324
Charged in year	-	115	9,704	501	148	-	10,468
Disposals	-	-	-	-	(47)	-	(47)
Revaluations	-	97	46	105	83	-	331
At 31 March 2012	-	226	38,524	3,440	886	-	43,076
Net book value at 31 March 2012	1,670	3,141	11,066	2,702	533	8,887	27,999
*Net loss on Revaluation of Property Plant and Equipment							
	(31)	-	2,296	24	11	-	2,300

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

The asset under construction element of HECToR was transferred to IT as it became operational.

The last professional valuation of land and buildings was in March 2011, conducted by Powis Hughes and Associates, 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

	Software £000	Licences £000	Assets under Construction	Total £000
Cost or valuation				
At 1 April 2012	179	49	-	228
Disposals	(138)	(12)	-	(150)
Additions	-	-	183	183
Revaluation	9	-	-	9
At 31 March 2013	50	37	183	270
Amortisation				
At 1 April 2012	173	49	-	222
Disposals	(138)	(12)	-	(150)
Charged in year	6	-	-	6
Revaluation	9	-	-	9
At 31 March 2013	50	37	-	87
Net book value at 31 March 2013	-	-	183	183
Cost or valuation				
At 1 April 2011	179	49	-	228
Reclassification	-	-	-	-
Additions	-	-	-	-
Revaluation	-	-	-	-
At 31 March 2012	179	49	-	228
Amortisation				
At 1 April 2011	151	49	-	200
Reclassification	-	-	-	-
Charged in year	26	-	-	26
Revaluation	(4)	-	-	(4)
At 31 March 2012	173	49	-	222
Net book value at 31 March 2012	6	-	-	6

ACCOUNTS

Notes to the EPSRC's accounts continued

14. INVESTMENT IN JOINT VENTURE

	SSC "A" Shares £	SSC "B" Shares £	Total £
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
At 1 April 2011	1	4,455,341	4,455,342
Additions in year	-	-	-
Share in losses of joint ventures	-	(696,000)	(696,000)
Net book value at 31 March 2012	1	3,759,341	3,749,342

RCUK SSC UK Ltd was accounted for as a joint venture until the change in governance and ownership of the company on 6 March 2013. Under the new arrangement the company's name was changed to UK Shared Business Services Limited (UK SBS Ltd); BIS hold a Government Department (GD) share carrying 51 per cent of the votes, UK SBS Ltd holds one share carrying 5 per cent of the votes, and all other stakeholders including EPSRC each own one non-Government Department (NGD) share, with the combined voting value of all the NGD shares being 44 per cent.

EPSRC have exchanged their A share, which carried the voting rights, for a new NGD share and have sold their B shares, conveying ownership rights, to BIS at their value as at 6 March 2013 £3,151,141. This value represents EPSRC's opening JV value £3,759,341 less EPSRC's share of the company's losses and other impairments incurred during the period until 6 March 2013 (£608,200). The amount from BIS can be seen on the Cash Flow Statement under investing activities, and means that EPSRC have not needed to draw down as much Grant-in-Aid from BIS as initially expected. EPSRC's share of the company losses and other impairments has been charged to the Statement of Comprehensive Net Expenditure.

This leaves EPSRC with one NGD share and means that EPSRC no longer has joint ownership of the company. Therefore the company has been reclassified as an unlisted investment with an initial cost of £1 being the nominal value of the NGD share.

ACCOUNTS

Notes to the EPSRC's accounts continued

15. TRADE RECEIVABLES AND OTHER CURRENT ASSETS

	2012-13 £000	2011-12 £000
Amounts falling due within 1 year:		
Trade receivables	7,933	2,754
Other Receivables	12	-
Prepayments	8,626	5,486
Accrued income	6,207	7,962
VAT	6	-
	22,784	16,202

	2012-13 £000	2011-12 £000
Analysis by Source:		
Department of Business Innovation and Skills	10,830	7,909
Other Central Government Bodies	5,543	1,511
Public Corporations and Trading Funds	4,286	5,231
Bodies external to Government	2,125	1,551
	22,784	16,202

	2012-13 £000	2011-12 £000
Analysis of the provision for doubtful debts:		
Opening Balance	-	(60)
Charged to Statement of Comprehensive Net Expenditure	(46)	(9)
Utilised during the period	-	69
Closing Balance	(46)	-

16. CASH AND CASH EQUIVALENTS

	2012-13 £000	2011-12 £000
Balance at 1 April	3,518	4,081
Net change in cash and cash equivalent balances	10,402	(563)
Balance at 31 March	13,920	3,518
The following balances at 31 March 2013 were held at:		
Government Banking Service	13,885	3,148
Commercial banks and cash in hand	35	370
Balance at 31 March	13,920	3,518

ACCOUNTS

Notes to the EPSRC's accounts continued

17. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	2012-13 £000	2011-12 £000
Amounts falling due within 1 year:		
VAT	-	4
Trade Payables	444	4,054
Other Payables	228	-
Accruals	74,407	78,779
Deferred Income	3,711	4,710
	78,790	87,547

	2012-13 £000	2011-12 £000
Analysis by source		
Department of Business Innovation and Skills	5,697	8,947
Other central government bodies	2,866	3,042
Public Corporations and Trading Funds	66,918	71,521
Bodies external to Government	3,309	4,037
	78,790	87,547

18. PROVISIONS FOR LIABILITIES AND CHARGES

	2012-13 £000	2011-12 £000
Opening Balance	672	-
Increase in Provision	-	672
Payment/utilisation of Provision	(672)	-
Decrease in Provision	-	-
Reduction in Provision	-	-
Net Movement in Provision	-	-
Closing Balance	-	672

The provisions related to the liability to pay redundancy payments.

ACCOUNTS

Notes to the EPSRC's accounts continued

19. CAPITAL COMMITMENTS

	2012-13 £000	2011-12 £000
Contracted capital commitments at 31 March 2013 for which no provision has been made		
HECToR (Cray Inc/University of Edinburgh HPCX Ltd/National Algorithms Group)	5,330	6,867
Total	5,330	6,867

Contractual commitments of £5.3m existed at 31 March 2013 with regard to the service provision of the supercomputer, HECToR. The value of the contractual commitments are for the whole of the remaining project and include service charges and computational engineering support. These costs are not capitalised as fixed assets, as they are written off in the year they are incurred.

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:

	2012-13 £000	2011-12 £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	36	23
Later than one year and not later than five years	55	11
Later than five years	-	-
	91	34

b) Finance leases

The EPSRC has no obligations under finance leases.

ACCOUNTS

Notes to the EPSRC's accounts continued

21. OTHER FINANCIAL COMMITMENTS

The EPSRC estimates that the future costs to completion of research and training grants at 31 March 2013 are £2,104 m. The payments to which the EPSRC is committed during 2012-13, analysed by the period during which the commitment expires are as follows::

	2012-13 £000	2011-12 £000
Not later than one year	763,327	702,921
Later than one year and not later than five years	1,302,402	1,118,973
Later than five years	37,923	24,915
Total financial commitments	2,103,652	1,846,809

22. CONTINGENT LIABILITIES

The EPSRC had no contingent liabilities as at 31 March 2013.

23. RELATED-PARTY TRANSACTIONS

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.

	2012-13 Transactions £000	2012-13 outstanding balance £000	2011-12 Transactions £000	2011-12 outstanding balance £000
BIS Group				
Business Innovation and Skills	(852,447)	284	(804,000)	-
Arts and Humanities Research council	518	(475)	370	(342)
Biotechnology and Biosciences Research Council	702	150	(2,154)	646
Economic and Social Research Council	(1,305)	1,083	598	288
Diamond Light Source	12	-	-	-
Higher Education Funding Council	(787)	87	(399)	179
Medical Research Council	(466)	(114)	(204)	(584)
Natural Environment Research Council	(404)	247	(215)	(1,661)
Shared Services Centre	4,214	169	4,217	(71)
Science and Technology Facilities Council	3,355	(256)	2,073	770
Technology Strategy Board	(1,358)	481	(375)	(242)
UK Atomic Energy Authority	22,270	3,871	30,380	-
UK Space Agency	(75)	(200)	(36)	2
Other Central Government				
Research Council Pension Scheme	2,035	-	2,198	-
Defence Science and Technology Laboratory	(768)	95	3,303	-

ACCOUNTS

Notes to the EPSRC's accounts continued

During the year EPSRC announced the following grants to organisations in respect of proposals from members of EPSRC Council:

Organisation	Proposer	Grant Reference	2012-13 Value £000	2011-12 Value £000
University of Leeds	Professor John Fisher, CBE, FMedSci	EP/J017620/1	1,814	-
University of Leeds	Professor John Fisher, CBE, FMedSci	EP/K029592/1	5,667	-
University of Cambridge	Professor Sir Richard Friend, FRS, FREng	EP/K016520/1	128	-
University of Cambridge	Professor Lynn Gladden, CBE, FRS, FREng	EP/J501438/1	-	1,229
University of Cambridge	Professor Lynn Gladden, CBE, FRS, FREng	EP/J016209/1	-	449
University of Cambridge	Professor Lynn Gladden, CBE, FRS, FREng	EP/K503496/1	-	1,663
University College London	Professor John Perkins, CBE, FREng	EP/K039121/1	557	-
Imperial College London	Professor Lord Robert Winston, FRS, FMedSci, Hon FREng	EP/K027492/1	151	-

The relevant Council members were not involved in the approval of these grants.

During the current 2012-13 year EPSRC announced the following grants to organisations in respect of proposals from members of EPSRC Council:

Organisation	Research Grants No.	Research Grants £000	Postgraduate Awards No.	Postgraduate Awards £000	Research Fellowships No.	Research Fellowships £000
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
University of Glasgow	22	26,573	1	2,044	1	123
University of Cambridge	53	71,857	3	10,685	9	5,324
Sheffield Hallam University	-	-	1	202	-	-
University of Leeds	37	22,269	2	4,033	2	1,297

No Council member was involved in the approval of grants or awards to the organisation where he/she is a member of staff.

ACCOUNTS

Notes to the EPSRC's accounts continued

During the previous year 2011-12 EPSRC announced the following grants to organisations in respect of proposals from members of EPSRC Council:

Organisation	Research Grants No.	Research Grants £000	Postgraduate Awards No.	Postgraduate Awards £000	Research Fellowships No.	Research Fellowships £000
University of Cambridge	48	19,966	2	7,983	4	3,387
Cranfield University	3	1,150	2	628	1	777
University of Exeter	16	5,674	2	856	4	3,966
Imperial College London	51	46,756	2	9,573	12	8,636
University of Glasgow	24	9,389	2	2,564	1	961
Sheffield Hallam University	2	379	-	-	-	-
University of Surrey	8	2,185	2	1,582	-	-

No Council member was involved in the approval of grants or awards to the organisation where he/she is a member of staff

During 2011-12 EPSRC announced the following grant to an individual with connections to the EPSRC executive team which is still active:

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

EPSRC operates a process of peer review of proposals for research grants, as part of which "Colleges", panels formed of senior members of the academic and industrial communities, evaluate grant proposals for the quality and importance of the research area and then propose a ranking for funding. EPSRC receives their recommendations but is not bound by them, taking as it does other significant factors into account, such as the availability of funds and Government policy. These panel members are not therefore regarded as Related Parties within the context of IAS 24.

EPSRC has adopted a Code of Practice for all those who assist the work of the Council, which embraces the "Seven Principles of Public Life" drawn up by the Nolan Committee and endorsed by Parliament. This is designed to remove any staff member from any decision-making process under which he/she or any of his/her close family may benefit.

During the year, EPSRC identified those members of staff who could be regarded as being in positions of financial influence, and required a declaration from each of any financial transactions with EPSRC under which the staff member or a member of his/her 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, the Resource Audit Committee, and Strategic Advisory teams. A Council Members' Register of Interests is available for viewing on EPSRC's website.

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.

ACCOUNTS

Notes to the EPSRC's accounts continued

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 and 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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