

Technology Strategy Board

Driving Innovation

Annual Report and Accounts 2008-2009

**Technology Strategy Board
Annual Report and Accounts 2008-2009**

Presented to Parliament by the Secretary of State, and on behalf of the Comptroller and Auditor General pursuant to Schedule 1, Sections 2(2) and 3(3) of the Science and Technology Act 1965

Dr Graham Spittle – Chair

Iain Gray – Chief Executive

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JOINT STATEMENT FROM THE CHAIR AND CHIEF EXECUTIVE

We are pleased to present this second Annual Report and Accounts of the Technology Strategy Board, which covers the financial year 2008-09.

BUSINESS REVIEW

The Technology Strategy Board is a non-departmental public body, established in its current form in 2007, whose purpose is to promote, accelerate and invest in technology-enabled innovation in the UK. This is expressed in the organisation's vision: "for the UK to be a global leader in innovation and a magnet for innovative businesses, who can apply technology rapidly, effectively and sustainably to create wealth and enhance quality of life."

The year was one of strengthening our foundations while developing further - as we continued to build an effective organisation, deepened relationships with our many partners, and managed and grew our innovation programmes. We outline below highlights of the progress made during the year.

Strategy and priorities

At the beginning of the year we published our corporate strategy document *Connect and Catalyse* (available at www.innovateuk.org), which described how we were focusing and aligning our activities with three key strategic themes:

Challenge-led innovation - innovation responding to societal and economic challenges;

Technology-inspired innovation - innovation inspired by the existing and emerging technologies where the UK leads or could lead;

The innovation climate - creating the right environment and culture for innovation to thrive.

Focusing our work in this way enabled us to review the various programmes that we had inherited from government, and their potential impact in terms of delivering the new strategy. We adjusted and developed these programmes and our spending plan accordingly so that they better reflected our strategic aims.

Throughout 2008-09 our technology teams spoke with businesses across a wide range of technology sectors to understand the opportunities for, and barriers to, innovation. In the course of a year our business engagement programme resulted in over 400 individual company visits, and over 7,000 attendees at workshops and briefings.

During the year we published strategies for innovation in several specific sectors: energy generation and supply, advanced materials, high value manufacturing, information and communication technologies and electronics, photonics and electrical systems.

In early 2009 The Technology Strategy Board became the British National Space Centre partner responsible for promoting innovation in satellite telecommunications and navigation in the UK, with financial responsibility transferring at the start of the 2009-10 financial year.

Impact of the economic recession

In January 2009, as the full impact of the economic recession started to hit the UK economy, we decided to review our focus areas to ensure we were concentrating on the business sectors where we could provide the best support to UK businesses. Our aim was to help ensure that the UK economy emerged from the downturn in a more competitive position than before the recession.

We identified four particular areas where we felt the UK had competitive advantage and through innovation could play a major role in present and future global markets:

The low carbon economy – including vehicles and buildings

Energy generation and supply, and carbon abatement

The development of the digital economy in the UK

The life sciences.

These became areas of heightened focus for our work over the following year.

Developing partnerships

The year was very important in terms of continuing to build strong relationships with our strategic partners in government departments, research councils, regional development agencies and devolved administrations. We have put in place a range of structures which have enabled these relationships to be productive and cooperative.

We also developed close working relationships with many other organisations to co-ordinate activities, align funding or share expertise; from the Energy Technologies Institute and the Intellectual Property Office, to the Design Council and NESTA.

Partnerships with a wide range of public sector bodies, as well as with business, have been vital in developing and delivering many of our activities and programmes.

Developing partnerships has raised the amount of investment leverage we obtain from our partners so that it now represents 44% of the funds we invest, previously it had been approximately 18%.

Innovation platforms

Our innovation platforms exemplify how we work to promote challenge-led innovation. An innovation platform is an approach which takes a specific societal challenge and works with government, researchers and business to develop new products and services to meet the future market needs created by the challenge. These platforms engage UK businesses in addressing some of the most pressing societal issues, aiming to help tackle the problems whilst developing proven solutions that UK businesses can sell not only here but overseas, contributing to UK prosperity.

Building on the four innovation platforms already in place, in May 2008 we launched a new platform in Low Impact Buildings, which had been developed over previous months. This was followed in October 2008 by a new platform for the Detection and Identification of Infectious Agents, with support from the Department of Health.

During the year we continued to investigate the potential for a platform in Sustainable Agriculture and Food, in conjunction with the Department for the Environment, Food and Rural Affairs. This was planned for launch the following financial year (and announced in October 2009).

At the end of the financial year 2008-09 the portfolio of innovation platforms was as follows:

Intelligent Transport Systems & Services

Network Security

Assisted Living

Low Carbon Vehicles

Low Impact Buildings

Detection and Identification of Infectious Agents (new - launched in October 2008)

Collaborative research & development

During 2008-09 we continued to develop our collaborative research and development programme which invests in innovative projects led by business. We use competitions to select projects for grant funding. Consortia apply by submitting a proposal for a project, in line with the scope of a competition subject. Each proposal is independently assessed, and if successful, we co-fund the project.

We developed new topics for competitions in consultation with business and reflecting the priorities of our strategy. The areas covered by the key collaborative research and development competitions during the year are shown below.

Launched November 2008	Launched January 2009	Launched March 2009
Sustainable Materials Photonics 21 Intelligent Transport Systems and Services	High Value Manufacturing Low Carbon Vehicles Oil & Gas	Creative Industries Fuel Cells Network Security

As well as running 'traditional' collaborative R&D programmes, we also introduced some more flexible ways of working with business to promote innovation, such as competitions to fund feasibility and fast-track studies. This gave us wider scope to work with businesses - often newer or smaller companies - in ways appropriate to them. We have continued to review our processes and systems in order to improve our service to competition applicants, reducing competition times down to between 6-19 weeks depending on the type of competition.

SBRI

In 2008 we assumed responsibility for relaunching and championing the Small Business Research Initiative (SBRI) programme. We refocused the programme on helping companies respond to the needs of government departments or public sector bodies by developing innovative products and services to meet their requirements. Through access to departmental procurement budgets, the scheme offers small companies in particular the opportunity to work with government departments and develop innovative solutions to challenges.

Successful pilots of the revised SBRI with the Ministry of Defence and the Department of Health led to the continued and wider rollout of the programme across government from April 2009. By the date of approval of this report 269 SBRI contracts had been issued.

European programmes

In order to boost the chances of UK business success in Europe we provide support for businesses wishing to access Framework Programme 7 funding, and aim to align other work with the EU. In 2008-09 we co-funded the first ARTEMIS competition focusing on electronic and ICT R&D. We also supported the Eurostars programme with investment, to help SMEs benefit from funding for market-orientated R&D.

Knowledge exchange and the innovation climate

Promoting knowledge exchange and fostering a climate which encourages innovation are key elements in our strategy. During the year we further developed our programmes and activities in this area, in particular:

Carrying out a strategic review of the Knowledge Transfer Networks and reshaping the portfolio to align the Networks more closely with our strategy - while maintaining and developing the service they provide to promote innovation and the business communities and sectors which they cover. Membership has grown dramatically, standing at around 57,000 members at the date of approving this report. During the year we announced the development of new networks in Creative Industries, Energy Generation and Supply and Financial Services.

Developing the well-established and successful Knowledge Transfer Partnerships programme which links academic institutions and businesses together by placing qualified 'associates' within companies to work on innovation projects. To build on the success of the scheme and widen access, during the year we developed a new model for short-term Knowledge Transfer Partnerships, ready for implementation in 2009-10.

Hosting the Innovate '08 conference and exhibition, the second such annual event since our establishment in 2007. This attracted 1,000 attendees - primarily from business - in a day designed to explore the opportunities for innovation, to showcase great examples of what is being achieved, and to point businesses to the resources available to help them innovate.

Organisational development

Over the year the Technology Strategy Board continued to grow, in line with its increasing role and programmes, to nearly 100 staff. In recruiting team members we place a strong emphasis on people with significant business experience.

The year saw a review of our systems and processes and the implementation of a project to develop systems that will better meet our needs, and those of the businesses we serve. This includes:

Consolidating our Knowledge Transfer Network support systems onto one platform, which includes the use of social media to promote connections and knowledge exchange;

Insourcing our competitions and grant management systems onto a platform that maximises information and communication between the Technology Strategy Board and project participants, while minimising repetition and bureaucracy.

In February 2009 we moved into new premises, while remaining in Swindon co-located with the Research Councils.

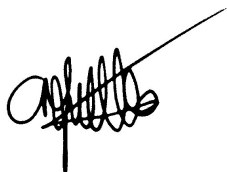
The future

In summary, the year was one of consolidating our foundations and deepening partnerships, while developing new programmes and activities in line with our strategic direction - increasing our emphasis on innovation to meet societal challenges, responding to difficult economic circumstances and building the climate for innovation.

In the current exceptional economic times, we are aiming at a focussed band of activities to enhance innovation in areas where we believe the UK has a global competitive advantage, whilst retaining recognition of the wider business requirements. Over the course of 2009-10 we aim to continue to work in the areas we judge to be of strategic importance to UK business.

In the April 2009 Budget the Government allocated an extra £50 million, part of the strategic investment fund, to the Technology Strategy Board to promote innovation. These resources are planned to be applied in areas including low carbon vehicles; programmes to develop a "Digital Britain;" healthcare and life sciences; low impact buildings and high value manufacturing.

The Technology Strategy Board is still a young organisation, continuing to establish itself during testing economic times. We will embrace the challenge of making the UK a global leader in business innovation and enabling new technologies to be applied rapidly, effectively and sustainably to create wealth and enhance quality of life.



Graham Spittle CBE
Chair



Iain G Gray
Chief Executive

Further information about the Technology Strategy Board's activities over this period can be found in the Annual Review, available at www.innovateuk.org.

MANAGEMENT COMMENTARY

Statutory basis and history

The Technology Strategy Board was incorporated by Royal Charter on 7 February 2007 and was established as a Research Council for the purposes of the Science and Technology Act 1965 by the Technology Strategy Board Order 2007 (S.I. 2007/280). It commenced operations on 1 July 2007, when it took over certain activities previously carried out by the Secretary of State for Trade and Industry relating to Energy and Technology Innovation. The Technology Strategy Board is an executive Non-Departmental Public Body (NDPB) and its primary source of funds is the Request for Resources Grant-in-Aid allocated by its sponsoring body, the Department for Innovation, Universities and Skills (DIUS), which now forms part of the new Department for Business, Innovation and Skills (BIS).

These financial statements have been prepared in accordance with the Accounts Direction given by the Secretary of State for Innovation, Universities and Skills in accordance with section 2(2) of the Science and Technology Act 1965. The comparative figures in the accounts include the results for the period 1 April 2007 to 30 June 2007 which were previously recorded in the books of the former Department of Trade and Industry (DTI), in accordance with directions in the Financial Reporting Manual, to account for Machinery of Government changes using merger accounting in accordance with Financial Reporting Standard (FRS) 6: Acquisitions and Mergers.

Purpose

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

Programme objectives

To achieve its aims, the Technology Strategy Board has executive responsibility for delivering programmes of government financial support to encourage business investment in and use of technology across all sectors of the UK economy. These programmes include continuing support for collaborative research and development for business investment, and the use of technology, in both manufacturing and service industries. The aim is to achieve increased innovation in sectors where the UK economy is strong; the development of new sectors, through the creation and growth of research and development, of intensive small and medium-sized enterprises; and support for the use of technology in areas important to the future of existing and emerging sectors in the UK. The Technology Strategy Board also supports Knowledge Transfer Networks. These are national over-arching networks that aim to improve the UK's innovation performance by increasing the breadth and depth of knowledge transfer of technology into UK businesses.

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

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

Review of the year

A review of the activities undertaken by the Technology Strategy Board during the year is set out in the Joint Statement by the Chair and the Chief Executive which precedes these financial statements.

Corporate governance

Audit Committee

The Audit Committee, comprising three members of the Governing Board, meets at least three times a year to review internal and external audit matters and the Technology Strategy Board's accounts. Its terms of reference include monitoring of the application of internal controls and oversight of the Board's response to the corporate governance initiative and risk management. The Audit Committee receives and considers reports from both internal and external auditors. Minutes of the Audit Committee are forwarded to all members of the Governing Board. During 2008-09, the Committee developed by moving towards a formalised meeting structure and undertaking continuing education.

Chief Executive

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

Executive Board

The following persons were executive directors during the year 2008-09 and up to the date of approval of these accounts unless otherwise indicated:

<i>Name</i>	<i>Role</i>
David Bott	Director of Innovation Programmes
Graham Hutchins	Director of Operations & Services
Dr Allyson Reed	Director of Strategy & Communications
David Way	Director of Knowledge Exchange & Special Projects

Governing Board members

The following persons were members of the Technology Strategy Board's Governing Board during the year 2008-09 and up to the date of approval of these accounts unless otherwise indicated:

Chair

Dr Graham Spittle CBE

Chief Executive

Iain Gray

Members

Dr Graeme Armstrong

Dr John Brown FRSE

Eur Ing Nick Buckland OBE

Dr Stewart Davies (from 21 June 2009)

Dr Joseph Feczko

Anne Glover CBE

Dr David Grant CBE

Jonathan Kestenbaum

Prof Julia King CBE (to 20 June 2009)
Andrew Milligan
Sara Murray (from 21 June 2009)
Dr Peter Ringrose (to 20 June 2009)
Prof Christopher Snowden FRS (from 21 June 2009)
Dr Jeremy Watson

Governing Board members are appointed by the Secretary of State of our sponsor department (The Department for Innovation, Universities and Skills during the period covered by this report) and are drawn from business, the public sector and research communities by reason of their knowledge and experience of the exploitation of science, technology and new ideas by business. Appointments are made in accordance with the Code of the Commissioner for Public Appointments. Details of Governing Board members' interests are available by application to the Board Secretary.

Auditors

The accounts of the Technology Strategy Board are audited by the Comptroller and Auditor General under the terms of paragraph 3(3) of Schedule 1 of the Science and Technology Act 1965. A fee of £98,000 is due for this service. There was no other auditor remuneration for non-audit work.

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

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

HR management

The following were the main objectives for HR management in 2008-09:

Develop and resource a comprehensive workforce plan for the Technology Strategy Board to deliver the right number of people with the right skills, experiences, and competencies in the right jobs at the right time, at an optimum cost;

Develop effective staff consultation arrangements;

Implement a reward strategy that must both encourage and support differing contractual arrangements for technology skills and at the same time the longer term retention of staff;

Performance management - develop and implement a set of processes for establishing a shared understanding of what is to be achieved in the organisation which supports the management and development of colleagues in a way that increases the probability of personal and organisational goals being achieved in the short and longer term;

Develop capability – ensuring that the Technology Strategy Board management and staff have appropriate skills/experience to deliver high performance and the business objectives.

Equal opportunities

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

Employee involvement

Information is provided to employees through the HR Manual, office notices, e-mail and the intranet. Consultation with employees takes place through meetings with senior staff, the Staff Consultative Council, through bilateral, directorate, sectional meetings, and through working groups set up to look at specific organisational issues, and where appropriate through all-staff meetings.

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

All staff receive a briefing on, and personal copies of, the Technology Strategy Board's corporate strategy Connect and Catalyse and the associated Delivery Plan, and are then involved in developing and implementing Directorate and Personal objectives, which flow from the Plan, through the performance management process.

Health and safety

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

The Technology Strategy Board Health and Safety Officer, and Representatives, meet on a regular basis as the Technology Strategy Board Health and Safety committee; its role is to review the adequacy of safety training and the supply of information, consider accident statistics and safety audit reports and to help the Technology Strategy Board's Health and Safety Officer carry out his/her duties. Institution of Occupational Safety and Health training was undertaken by Health and Safety Representatives in November 2008 and April 2009. The Technology Strategy Board continues to monitor Health and Safety risks and take appropriate action.

Sickness and absence

Calculation of the Technology Strategy Board sickness/absence rates is as follows:

	Absence Rate as a % of total working days	Average working days lost to sickness (per member of staff)
All staff	0.97 %	3.0
Excluding 3 staff on long term sickness	0.22 %	0.6

Reporting of personal data incidents

Records are kept of personal data incidents. One member of staff had a laptop stolen from his home; however there was low risk of loss of personal data as the laptop was encrypted. No other loss of personal data has been reported during the financial year 2008-09.

Management of information risk

Following the issue of HMG Security Policy Framework by Cabinet Office in December 2008 the Technology Strategy Board is undertaking steps to ensure that it complies with the standard laid down by the Data Handling Review. A review of the data held was undertaken, along with a risk assessment. In relation to personal data it was identified that the Technology Strategy Board did not carry a great risk as it does not hold much personal data. An ongoing project has:

encrypted all laptops and mobile phones. New laptops and mobile phones are encrypted prior to delivery;

undertaken penetration tests against the websites of contractors providing programme support. The results of the tests were excellent, with only minor issues being identified. These issues were quickly addressed;

included the requirements identified in the Data Handling Review as fundamental requirements within the scope of the systems development project commenced in 2008-09;

completed the development of an Information Assurance policy in July 2009, communicated it to all staff, and set up training to ensure that all staff are fully aware of their responsibilities under the Information Assurance policy.

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

Environmental policy

The Technology Strategy Board is committed to following the joint Research Council Environmental Policy Statement which calls for:

Compliance with all relevant legislation;

Minimising the adverse impacts of new buildings, refurbishments;

Making efficient use of natural resources;

Operating effective arrangements for waste disposal and recycling;

Promoting effective environmental supply management;

Working with staff to promote more economic forms of transport;

Providing appropriate information and training to new staff.

Figures for the joint Swindon-based Research Councils show that approximately 70% of waste is recycled.

Major contracts

The Technology Strategy Board has a number of significant contracts for the support and delivery of its technology grant programmes. The costs of these are shown in note 3 as Programme Support Contracts. The system development referred to in the review of the year's activities, when complete, will affect the requirement for some of these contracts.

Creditor payment policy

The Technology Strategy Board's policy is to comply fully with the Better Payment Practice Code for the payment of goods and services. The Technology Strategy Board's policy is to make payments in accordance with the timing stipulated in the contract with suppliers. Where there is no contractual provision, every effort is made to ensure that payment is effected within 30 days of receipt of goods or services, or presentation of a valid invoice or similar demand for payment, whichever is the later. During 2008-09, the Technology Strategy Board paid 97% (2007-08: 94%) of its undisputed invoices within the 30 day period.

In November 2008, a new prompt payment target of 10 days was introduced for the public sector. In the period December 2008 – March 2009, the Technology Strategy Board paid 55% of its invoices within the 10 day period. The prompt payment percentage includes the payment of grant claims which require a longer validation process. Work is on-going to implement a new system that will automate the upload of grant payments, thereby increasing the speed by which grant payments are made.

In November 1998, the Late Payment of Commercial Debts (Interest) Act came into force, providing small businesses with a statutory right to claim interest from large businesses (and all public sector bodies) on payments that are more than 30 days overdue. Amended legislation (the Late Payment of Commercial Debts Regulations 2002) came into force on 7 August 2002 providing all businesses, irrespective of size, with the right to claim statutory interest for the late payment of commercial debts. No such claims were received during the reporting year.

FINANCIAL REPORT

Operating results for the period

Grant-in-Aid received during the year from DIUS was £222 million (2007-08: £150 million).

Net expenditure for the year and fundholders perspective

The Statement of Net Expenditure records net expenditure for the year of £231.80 million (2007-08: £238.75 million) which has been transferred to reserves. This represents the expenditure for the year on programme, staff, and overhead costs.

Total government funds at 31 March 2009 amounted to £(73.41) million (2007-08: £(77.00) million). Other reserve movements are shown in note 11.

Technology grants expenditure and accruals

This major category of expenditure is not expected to follow a predictable trend. A variance on grant expenditure compared with the previous year may be expected to occur as varying amounts of funding are injected into successive grant competitions, and this will filter through to grant claims in due course. Accruals reflect the fact that most grants are paid on claims for reimbursement made quarterly in arrears.

Risk

The Statement on Internal Control outlines the Technology Strategy Board's policy with regard to corporate governance, internal control and risk management. The factors and influences that may have an effect on present and future performance are listed in risk registers and the most important are identified to the Board at least annually. The most significant factors underlying the performance and position of the Technology Strategy Board during the period under review are identified in the Statement on Internal Control.

Allocation and outturn

The following table gives a comparison of outturn against allocation, the overspend having been agreed in advance with the Department for Innovation, Universities and Skills.

£000s	Non-Cash ¹	Resource	Capital	Total
Total expenditure for the year ²	(3,082)	231,786	-	228,704
Funding from other bodies ³	-	(13,388)	-	(13,388)
Treatment of capital grants	-	(10,380)	10,380	-
Expenditure on fixed assets ⁴	=	=	<u>965</u>	<u>965</u>
Outturn	(3,082)	208,018	11,345	216,281
Allocation	=	<u>184,300</u>	<u>10,000</u>	<u>194,300</u>
	<u>3,082</u>	(23,718)	(1,345)	(21,981)
Non-usable underspend	<u>3,082</u>			<u>(3,082)</u>
In year (over)spend		<u>(23,718)</u>	<u>(1,345)</u>	<u>(25,063)</u>

Notes:

¹ A non-cash item is an expense or income that appears on the Statement of Net Expenditure yet does not actually represent a real cash outflow or inflow e.g. notional cost of capital and depreciation.

² Taken from the Statement of Net Expenditure

³ Taken from Note 11 – Government Funds

⁴ Taken from the Cash Flow Statement

The overspend is being covered by a budgetary loan from the sponsoring department of £25 million to be repaid over the financial years 2009-10 and 2010-11.

Funds from operating activities and other sources of cash

As reported in the Cash Flow Statement, there was a net cash outflow in the year of £233.09 million (2007-08: £183.55 million).

Current liquidity

Cash held at 31 March 2009 was £14.27 million (2007-08: £11.97 million) and current liabilities were £89.70 million (2007-08: £89.49 million).

Pension liabilities

Details of pension arrangements are set out in notes to the accounts 1j Pension Costs and 2e Pension arrangements, and details of the salary and pensions benefits of senior employees are included in the Remuneration Report.

Going concern

The Income and Expenditure Reserve at 31 March 2009 shows a deficit of £73.41 million (2007-08: £77.00 million). This reflects the inclusion of liabilities falling due in future years which will be met by future grant-in-aid from the Technology Strategy Board's sponsoring department, DIUS, now BIS. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may not be issued in advance of need.

Grant-in-aid for 2009-10, taking into account the amounts required to meet the Technology Strategy Board's liabilities falling due in that year, has already been included in DIUS/BIS's estimates for that year, which have been approved by Parliament. Longer term commitments are contained within existing funding allocations arising from Government Spending Review settlement figures which cover up to 2010-11. The Technology Strategy Board's financial commitments on grants beyond that period can be met well within the minimum reasonably anticipated income for those years. Such grants issued by the Technology Strategy Board are made under statutory powers within the terms of the Science and Technology Act 1965, applied upon the objects set out in Article 2 of the Technology Strategy Board Royal Charter. This is confirmed in the Technology Strategy Board Management Statement issued by DIUS in June 2007. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

As explained in Statutory Basis and History and Note 17, the sponsorship responsibility for the Board passed to the new Department for Business, Innovation and Skills on 5 June 2009. There is no reason to believe that the expected government funding underlying the Board's going concern assertion will be affected by this change.



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Iain G Gray
Accounting Officer
20 November 2009

REMUNERATION REPORT

General

This report has been prepared in accordance with schedule 7A of the Companies Act 1985 amended by the Directors' Remuneration Report Regulations 2002.

Remuneration policy

The remuneration of the Chief Executive of the Technology Strategy Board is decided by a Remuneration Panel chaired by the Director of Innovation, DIUS/BIS. The performance of Directors is assessed annually by the Chief Executive through the Performance Management process and approved by the Technology Strategy Board's Remuneration Committee. In the light of these assessments, performance related pay is made in accordance with provisions of the Pay Remit approved by DIUS/BIS. The remuneration of the Technology Strategy Board's Non-Executive Directors and Chair is reviewed annually by DIUS/BIS. Membership of the Technology Strategy Board's Remuneration Committee consisted of:

Graham Spittle (Chair)
Peter Ringrose (up to July 2009) – (Non-Executive Director)
David Grant – (Non-Executive Director)
Jonathan Kestenbaum (from September 2009) - (Non-Executive Director)
Iain Gray (Chief Executive).

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

Contractual policy

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

Non-Executive Directors and the Chair are not employees of the Technology Strategy Board and received a letter of appointment from DIUS/BIS. The terms of appointment allow for members to resign from office by notice in writing to the Secretary of State. Members may also be removed from office by the Secretary of State on grounds of incapacity, misbehaviour or a failure to observe the terms and conditions of appointment. The Chair has been re-appointed for a three-year period from 1 December 2008.

Details of 2008-09 remuneration for the Technology Strategy Board Chief Executive and Directors

Remuneration of senior employees

The combined code on corporate governance requires the disclosure of information on salary and pension entitlements of each Company Director. Government is committed to adopting best commercial practice and therefore requires Non-Departmental Public Bodies to report in accordance with modified Combined Code principles. The following disclosures are considered appropriate for the Technology Strategy Board:

Audited Information	Chief Executive From 1 November 2007	Director of Corporate Services From 1 July 2007 to 31 July 2008 Director of Operations & Services From 1 August 2008	Director of Strategy & Communications From 1 August 2007	Director of Operations From 1 July 2007 to 31 July 2008 Director of Knowledge Exchange & Special Projects From 1 August 2008	Director of Innovation Platforms From 1 July 2007 to 31 July 2008 Director of Innovation Programmes From 1 August 2008
	Iain Gray	Graham Hutchins	Dr Allyson Reed	David Way	David Bott
	£000	£000	£000	£000	£000
Salary and allowances in 2008-09	275 - 280	125 - 130	130 - 135	105 - 110	See note
Salary and allowances in 2007-08	110 - 115	80 - 85	85 - 90	70 - 75	See note
Benefits in kind (cash equivalent)	-	-	-	-	-
Real increase of pension and related lump sum at age 60	5 - 7.5	2.5 - 5	2.5 - 5	0 - 2.5	-
Total of accrued pension at age 60 and related lump sum.	5 - 10	5 - 10	5 - 10	35 - 40	-
Cash Equivalent Transfer Value (CETV) at 31 March 2008	22	12	20	17	-
CETV at 31 March 2009	86	58	79	45	-
Real increase in CETV 2008-09	55	-3	41	24	-

David Way was employed by the Department of Trade and Industry prior to taking up post as a director in 2007. The table above does not include values for the transfer of pension benefits from that employer. At the year end the transfer into the Research Councils' Pension Schemes had not been completed.

David Bott is contracted for his services as a director. The accounts include charges of £231,072 for his services (2007-08: £139,854 for 9 months on a part-time basis).

Graham Hutchins transferred in pension benefits during the year. The negative real increase in CETV shown is accounted for by the way the service credit premium is calculated on the transfer and the methodology in computing CETV figures.

	2008-09	2007-08
	£000	£000
The aggregate of salary costs, bonus and benefits in kind for senior employees was:	641	363

(The 2007-08 figure above relates to less than 12 months' salary and pension entitlements. This was because the directors were appointed after the formation of the Technology Strategy Board on 1 July 2007, part-way through 2007-08. The dates of their appointment are shown in the table above).

Salary and allowances, including bonus

Salary and allowances, including bonus, covers both pensionable and non-pensionable amounts and includes: gross salaries; performance pay or bonuses; overtime; allowances and any ex-gratia payments. It does not include amounts, which are a reimbursement of expenses directly incurred in the performance of an individual's duties. It does not include the charges for David Bott's services as a director. These are included in the charges for agency and contract staff (note 2b).

Benefits in kind

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

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and the other pension details include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Research Councils' Pension Schemes and for which the schemes have received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

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

Remuneration of Governing Board Members

The standard honorarium paid to Governing Board Members amounted to £9,180 (2007-08: £9,000 pa) with effect from 1 July 2008.

The emoluments of the Chair, Dr Graham Spittle, were £15,642 (2007-08: £15,410 pa).

Non-consolidated bonus, benefits in kind and pension arrangements do not apply to Board Members.

Total remuneration paid to Governing Board Members is as follows:

Audited Information

	2008-09
	£000
Governing Board Members' Annual Honoraria	
Graeme Armstrong	5-10
John Brown	5-10
Nick Buckland	5-10
Joseph Feczko	5-10
Anne Glover	5-10
David Grant	5-10
Jonathan Kestenbaum	5-10
Julia King	5-10
Andrew Milligan	-
Peter Ringrose	5-10
Jeremy Watson	<u>5-10</u>
Total	<u>91</u>

Andrew Milligan has elected to forego his honorarium.



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Iain G Gray
Accounting Officer
20 November 2009

STATEMENT OF RESPONSIBILITIES of the Technology Strategy Board and of its Chief Executive with respect to the financial statements

Under the Science and Technology Act 1965, the Secretary of State for Innovation, Universities and Skills (with the consent of the Treasury) directed the Technology Strategy Board to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Technology Strategy Board and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

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

observe the Accounts Direction issued by the Secretary of State for the sponsor department (with the consent of the Treasury), including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;

make judgements and estimates on a reasonable basis;

state whether applicable accounting standards as set out in the *Government Financial Reporting Manual* have been followed, and disclose and explain any material departures in the accounts; and

prepare the accounts on a going concern basis.

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

STATEMENT ON INTERNAL CONTROL

1. Scope of responsibility

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

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

2. The purpose of the system of internal control

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

The system of internal control has been in development in the Technology Strategy Board since inception in July 2007 and continues to be enhanced up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

3. Capacity to handle risk

The Technology Strategy Board continues to undergo a good deal of development both in terms of organisational identity and in the policies and procedures that it is putting in place. Policies and internal controls have continued to be developed and embedded. The full complement of staff required for operations has been reached during the year.

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

Risk management training of the Executive Board and key personnel has been carried out. Where the need for more formal training has been identified, a selection of training courses in risk management techniques is available. We have ensured that the requisite skills exist in the Technology Strategy Board by getting a member of staff Risk Management Practitioner qualified. External experts have been involved in the development of the risk management process and they remain available for further consultation if required.

As part of the policy of allocating risk management to senior management, delegation letters have been issued to the Technology Strategy Board Directors and others setting out their responsibilities and giving policy guidance. These detail the individual's accountability, and reiterate their Corporate Governance and also their primary personal responsibilities.

4. The risk and control framework

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

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

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

Publication of the individual strategies relating to each Technology and Application Area is seen as high risk as they have the potential to disenfranchise parts of an industry sector if they do not agree with it. A broad spectrum of consultation is being undertaken with business to avoid this situation.

The take-up of the new Small Business Research Initiative (SBRI) programme by government departments and business needs to be managed at a high level to ensure participation and success.

The ability to attract and align co-funding from other organisations in order to fulfil the co-funding agreements laid out in our tasking letter.

The impact of the economic recession and the availability of funds to business on the take-up of our programmes is something that we are monitoring closely.

The Executive Board reviews such risks through its monthly meetings and reports on progress to the Governing Board through the Chief Executive's report.

A major mechanism for managing risk is the review process covering the Technology Strategy Board's core business of awarding grants. The application procedure is contained in public guidance, amplified at briefing events. The Technology Strategy Board contracts independent assessors to review applications. They meet, reach consensus, and produce a ranked, ordered list of applications to be funded. A funding panel consisting of the Technology Strategy Board, the Research Councils and any other funding agencies meets to agree which projects are funded but does not change the ranked, ordered list. The funding panel is chaired by the Director of Innovation Programmes, (previously the Director of Operations), who takes the recommendations to the Executive Board for formal approval.

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

Risk appetites are determined by the nature of the risk. The Technology Strategy Board has a high tolerance for risk associated with research and development work, but a much lower tolerance where other issues such as health and safety are involved.

Part of the control framework is provided via the Research Councils' Internal Audit Service (RCIAS), which provides internal audit services to the Research Councils. The activities of the RCIAS in respect of the Technology Strategy Board are reviewed by the Audit Committee and the scope of the internal audit plan for the coming year is agreed. With this overarching view of audit activities, the Audit Committee co-ordinates the evaluation and review of the evidence supporting the Chief Executive's assurance statement on internal control. In the year to 31 March 2009, RCIAS carried out an agreed programme of assurance work. The Technology Strategy Board received a positive reasonable assurance rating for 2008-09 from the Head of Internal Audit.

In 2008-09, steps have been taken to deal with significant internal control issues:

We have continued work on a finance manual, updating policy and procedures to best practice.

Risk management procedures have improved with the development of the risk register, regular review, and an internal audit review has been undertaken.

The development of the Technology Strategy Board's IT systems is underway and expected to be ready in the early months of FY10/11.

The strategic and business planning processes have been reviewed and improved.

A comprehensive budgeting and monitoring process is being developed for the 2009-10 financial year.

A risk management workshop on 21 April 2008 crystallised the key issue of relating risks to objectives, and risk management in the Technology Strategy Board took a significant step forwards. This statement has been borne out in a report by the Research Councils Internal Audit Service, which had identified that limited assurance has been achieved. Action on recommendations has been taken.

Information Assurance: a review by the Director of Operations & Services concluded that the Technology Strategy Board has in place arrangements to monitor and assess its information risks and will continue to identify and address any weaknesses and ensure continuous improvement of its systems. A fuller assessment of the information risk is contained in the statement on the Management of Information Risk in the Management Commentary.

During 2009-10, the Technology Strategy Board intends to embed risk management into control systems. Where appropriate, risk will also be incorporated into individuals' Personal Responsibility Plans.

5. Review of effectiveness

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

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

The Governing Board which meets bi-monthly in order to consider the Technology Strategy Board's plans, strategic direction, performance reports and corporate governance issues.

Directors' Annual Statements on Internal Control (DASIC). The DASIC exercise provides the main evidence informing the nature of my own assurance on internal controls as these assurances come from senior executives responsible for the development and maintenance of the Technology Strategy Board internal controls framework.

Regular reports by the Research Councils Internal Audit Service including the Head of Internal Audit's independent opinion on the adequacy and effectiveness of the Technology Strategy Board's systems of internal control.

The Audit Committee which meets at least three times a year to discuss all aspects of corporate governance, including risk management, and internal control. The Chairman of the Committee reports to the Governing Board on the work and findings of the committee. The minutes of audit committee meetings are published to the Board.

Directors' and senior managers' meetings which occur on a monthly basis to oversee the implementation of the Technology Strategy Board's plans.

A research and development grant validation procedure involving monitoring officer visits and reports, and periodic audit reports which provide assurance on the regularity of research and development project expenditure by grant recipients.

6. Internal control issues

In completing my review I accept the need to recognise the following continuing control issues:

The development of our policies and procedures will continue as we develop, grow, and undertake new activities.

The nature of our portfolio of grants and the size of our year end accrual, combined with the early stage of development of our management information systems, continues to impact on our ability to close our accounts quickly and to forecast and budget for our resource needs.



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Iain G Gray
Accounting Officer
20 November 2009

Technology Strategy Board

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

I certify that I have audited the financial statements of the Technology Strategy Board for the year ended 31 March 2009 under the Science and Technology Act 1965. These comprise the Statement of Net Expenditure, the Balance Sheet, the Cash Flow Statement 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 being audited.

Respective responsibilities of the Board, Chief Executive and Auditor

The Board and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements, in accordance with the Science and Technology Act 1965 and the Secretary of State for Innovation, Universities and Skills' directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Board and Chief Executive's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Science and Technology Act 1965 and the Secretary of State for Innovation, Universities and Skills' directions made thereunder. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the Management Commentary and Financial Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Technology Strategy Board has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal control reflects the Technology Strategy Board's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of Technology Strategy Board's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This information comprises the unaudited part of the remuneration report and the Joint Statement by the Chair and the Chief Executive. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Board and Chief Executive in the preparation of

the financial statements, and of whether the accounting policies are most appropriate to the Technology Strategy Board's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

Audit opinion

In my opinion:

the financial statements give a true and fair view, in accordance with the Science and Technology Act 1965 and directions made thereunder by the Secretary of State for Innovation, Universities and Skills, of the state of the Technology Strategy Board's affairs as at 31 March 2009 and of its net expenditure, recognised gains and losses, and cashflow for the year then ended;

the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Science and Technology Act 1965 and Secretary of State for Innovation, Universities and Skills' directions made thereunder; and

information given within the Annual Report, which comprises the Management Commentary and Financial Report, is consistent with the financial statements.

Audit opinion on regularity

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

Report

I have no observations to make on these financial statements.

Amyas CE Morse
Comptroller and Auditor General
National Audit Office
151 Buckingham Palace Road
Victoria, London
SW1W 9SS
27 November 2009

Technology Strategy Board

STATEMENT OF NET EXPENDITURE for the year ended 31 March 2009

EXPENDITURE		2008-09	2007-08
	Notes	£000	£000
Staff costs	2	7,291	4,722
Administrative support contracts	3	21,622	22,007
Other operating costs	4	4,497	3,148
Technology grants	5	199,538	210,004
Depreciation	8	<u>9</u>	<u>-</u>
Total Operating Expenditure		232,957	239,881
Operating Income	6	(1,162)	(1,127)
Notional Cost of Capital	1m, 7	<u>(3,091)</u>	<u>(2,147)</u>
Total Expenditure for the year		228,704	236,607
Reversal of Notional Cost of Capital	1m, 7	<u>3,091</u>	<u>2,147</u>
Expenditure for the year after reversal of notional cost of capital		<u>231,795</u>	<u>238,754</u>
Net Expenditure for the year		<u>231,795</u>	<u>238,754</u>

As the Technology Strategy Board has no gains or losses other than net expenditure for the period of account, no Statement of Recognised Gains and Losses has been prepared.

All activities are continuing.

The notes on pages 29 to 40 form part of these accounts

Technology Strategy Board

BALANCE SHEET as at 31 March 2009

	Notes	2008-09 £000	2007-08 £000
Fixed Assets			
Tangible assets	1c, 8	<u>956</u>	-
		956	-
Current Assets			
Debtors	9	1,062	522
Cash at bank	12b	<u>14,270</u>	<u>11,970</u>
		15,332	12,492
Current Liabilities			
Creditors: amounts falling due within one year	10	<u>(89,696)</u>	<u>(89,493)</u>
		(89,696)	(89,493)
Total Assets less Current Liabilities		<u>(73,408)</u>	<u>(77,001)</u>
Net Assets / (Liabilities)		<u>(73,408)</u>	<u>(77,001)</u>
Reserves			
Income and Expenditure reserve	11	<u>(73,408)</u>	<u>(77,001)</u>
Government Funds	11	<u>(73,408)</u>	<u>(77,001)</u>



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Iain G Gray
Accounting Officer
20 November 2009

The notes on pages 29 to 40 form part of these accounts

Technology Strategy Board

CASH FLOW STATEMENT for the year ended 31 March 2009

	Notes	2008-09 £000	2007-08 £000
Net Cash Outflow From Operating Activities	12a	(232,123)	(183,547)
Capital Expenditure			
Payments to acquire tangible assets	8	(965)	—
Net Cash Outflow Before Financing		(233,088)	(183,547)
Financing			
Funding from the EU	11	5,985	-
Funding from UK Partners	11	7,403	11,593
DTI funding of expenditure	1b	-	33,924
Grant-in-Aid received	11	<u>222,000</u>	<u>150,000</u>
Increase In Cash	12b	<u>2,300</u>	<u>11,970</u>

The notes on pages 29 to 40 form part of these accounts

NOTES TO THE ACCOUNTS

1 ACCOUNTING POLICIES

a. Basis of accounting

These financial statements have been prepared under the historical cost convention, complying with the Accounts Direction issued by the Secretary of State for Innovation, Universities and Skills on 4 December 2008 in accordance with section 2(2) of the Science and Technology Act 1965. The financial statements also comply with the requirements of the *Government Financial Reporting Manual (FReM)* www.financial-reporting.gov.uk.

The accounting policies contained in the FReM follow UK generally accepted accounting practice for companies (UK GAAP) to the extent that it is meaningful and appropriate to the public sector. Where a choice in accounting policy is permitted by the FReM, the most appropriate has been selected to give a true and fair view. The particular accounting policies adopted by the Board are described below.

The accounting policies have been applied consistently in dealing with items considered material in relation to the financial statements.

b. Machinery of Government (MOG) change

On 1 July 2007 under a MOG change the Department for Innovation, Universities and Skills transferred activities relating to Energy and Technology Innovation to the Technology Strategy Board. The comparative figures in the accounts include the results for the period 1 April 2007 to 30 June 2007 which were previously recorded in the books of the former DTI, in accordance with directions in the *Financial Reporting Manual* to account for MOG changes using merger accounting in accordance with FRS 6: *Acquisitions and Mergers*. The effect on these financial statements is net expenditure within the 2007-08 financial year amounting to £33.92 million.

c. Fixed assets, depreciation and amortisation

Capital expenditure includes the purchase of land and/or buildings, construction and services, projects, equipment and major computer software developments valued at £5,000 or more. Individual items valued at less than the threshold are capitalised if they constitute integral parts of a composite asset that is in total valued at more than the threshold. Individual items valued at less than the threshold and not forming part of a composite asset have not been capitalised. Normal computer software that has been valued at less than the threshold has been treated as recurrent expenditure.

Tangible Assets

Tangible fixed assets are carried at cost less accumulated depreciation.

Depreciation

Depreciation is calculated on a straight-line basis to write off assets over their useful economic life, commencing from when they are brought into use. Fixtures and fittings are depreciated over the initial term of the lease, which is eight years five months.

Intangible Assets

Intangible fixed assets are carried at cost less accumulated amortisation.

Amortisation

Amortisation is calculated on a straight-line basis to write off assets over their useful economic life, commencing from when they are brought into use. Software developments are amortised over five years.

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

d. Ownership of equipment purchased with Technology Strategy Board grants

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

e. Grant-in-Aid

Revenue Grant-in-Aid (GIA) is regarded as a contribution from a controlling entity thereby giving rise to a financial interest in the organisation. Hence it is accounted for as financing. GIA income is credited to the Income and Expenditure Reserve in the Balance Sheet. The same treatment has been adopted for other sources of financing. As a result, the Income and Expenditure Account shows net expenditure for the year rather than a surplus or deficit, and is consequently named "Statement of Net Expenditure". In addition, capital GIA received is only credited to the Government Grants Reserve and released to income over the life of the asset if it is GIA provided for a specific capital purchase (for which there are no such cases within the Technology Strategy Board).

f. Research and development

All of the Technology Strategy Board's research and development expenditure is charged to the Statement of Net Expenditure when it is incurred.

Intellectual property rights arising from the Technology Strategy Board's research and development are not capitalised in the financial statements as income arising from this is not significant.

g. Foreign currencies

Assets and liabilities denominated in foreign currencies are translated using the rates of exchange ruling at the balance sheet date. Transactions in foreign currencies are recorded at the rate ruling at the time of the transaction. Gains and losses arising from movements in foreign exchange rates are taken to the Statement of Net Expenditure.

h. Value Added Tax

The Technology Strategy Board is partially exempt for VAT purposes. Accordingly expenditure and fixed asset purchases on non-business and partially-recoverable activities are shown inclusive of VAT, where applicable. Residual input tax reclaimable by the application of the partial exemption formula is taken to the Statement of Net Expenditure as a sundry item.

i. Grants

The majority of grants are paid by the Technology Strategy Board on the basis of a claim for reimbursement of approved expenditure in accordance with an agreed percentage of allowable costs. Where the expenditure on a grant indicates an unclaimed and/or unpaid amount exists at the balance sheet date, such sums are accrued in the accounts. Wherever possible, accruals are based on estimates submitted by grantees. Where these are not available and it is known the activity is live, the amount outstanding will be estimated on the basis of the most recent claims. Future commitments at the balance sheet date are disclosed in the accounts.

j. Pension costs

Employees of the Technology Strategy Board are members of the Research Councils' Pension Schemes. The schemes are multi-employer unfunded defined benefit schemes and the Technology Strategy Board is unable to identify its share of underlying liabilities. Therefore the amount charged in the Statement of Net Expenditure represents the contributions payable to the schemes in respect of current employees in the accounting period. Contributions are set on a year-by-year basis in accordance with the requirements of the scheme administrators.

k. Contingent liabilities

The disclosure of contingent liabilities in the notes to the accounts has been prepared in accordance with FRS 12: *Provisions, Contingent Liabilities and Contingent Assets*. No disclosure is made for those contingencies where crystallisation is considered to be remote or the amounts involved are immaterial.

l. Operating leases

Operating Lease rental charges are included in the category Information Technology & Communications Charges within the expenditure heading Other Operating Costs which is shown in Note 4, and charged in the period they relate to.

m. Notional cost of capital

This notional cost is included in the accounts to reflect an appropriate charge for the use of capital in the business in the year because the financing structure does not contain share capital or interest bearing debt. As required by the FReM, a charge reflecting the cost of capital employed is included in operating costs. The charge is calculated at 3.5% on the average of opening and closing assets less liabilities, less balances held with HM Paymaster General. In accordance with the FReM, the notional charge is credited back to the Statement of Net Expenditure.

2. STAFF COSTS

a. Remuneration of senior employees

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

b. Staff costs

	2008-09	2007-08
	£000	£000
Salaries and wages	2,568	2,188
Social Security costs	264	154
Superannuation costs	504	318
Agency and interim staff	3,848	1,983
Board Members' fees	<u>107</u>	<u>79</u>
Total Staff Costs	<u>7,291</u>	<u>4,722</u>

Agency and interim staff is stated after capitalising £27,000 costs (2007-08: NIL) in Intangible Fixed Asset additions.

c. Staff numbers

	2008-09	2007-08
	Number	Number
Average number of employees	<u>84</u>	<u>55</u>

This comprises 55 permanent staff and 29 agency and interim staff, temporary appointments and inward secondment (2007-08: 33 and 27, respectively, from the time the Technology Strategy Board existed as a separate organisation; the DTI average was 39).

d. Remuneration of Board and Committee members

Remuneration of Board Members details can be found in the Remuneration Report.

e. Pension arrangements

The Biotechnology and Biological Sciences Research Council (BBSRC) has responsibility for the Research Councils' Pension Schemes (RCPS) and the Chief Executive of the BBSRC is the Accounting Officer for the pension schemes. Employees of the Board are eligible to either join the RCPS or open a partnership pension account which is a stakeholder pension with an employer contribution. The RCPS is funded on a pay-as-you-go basis principally through employer and employee contributions and annual Grant-in-aid.

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

As the RCPS are unfunded multi-employer defined benefit schemes, the Technology Strategy Board is unable to identify its share of the underlying assets and liabilities. Details can be found in the accounts of the Research Councils Pension Schemes at www.bbsrc.ac.uk.

Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary's Department (GAD). The last full actuarial valuation was carried out by GAD as at 31 March 2006. The draft report for the valuation is available and

discussions have commenced about a possible increase in the employer's contribution rate from 21.3% to 26.0%, effective from 1 April 2010. The contribution rate reflects benefits as they are accrued, not when the costs are actually incurred, and reflect the past experience of the scheme.

For 2008-09, employer's contributions of £503,000 (2007-08: £242,000) were payable to the RCPS at 21.3% of pensionable pay. Employer's contributions to stakeholder pensions are age-related and are at the rate of 13% (2007-08: from 13% to 15.5%) of pensionable pay; during the year employers' contributions amounted to £1,000 (2007-08: £10,000).

3. ADMINISTRATIVE SUPPORT CONTRACTS

	2008-09 £000	2007-08 £000
Programme Support Contracts	18,403	18,945
Monitoring Officer Fees	<u>3,219</u>	<u>3,062</u>
	<u>21,622</u>	<u>22,007</u>

The charges for programme support contracts are for the management and delivery of the Technology Strategy Board's programmes. The monitoring officer fees are incurred on the assessment of claims and projects within the Collaborative Research and Development Programme.

4. OTHER OPERATING COSTS

	2008-09 £000	2007-08 £000
Travel and Subsistence	555	321
Utilities	104	117
Rent, Rates and Maintenance	335	552
Communications and Events	1,476	449
General Administration	755	663
Recruitment	370	271
Employee Relocation Costs	429	189
Office Equipment	26	86
Information Technology & Communications Charges	350	365
Auditors' Remuneration	98	135
Exchange Rate (Gains)/Losses	<u>(1)</u>	<u>-</u>
	<u>4,497</u>	<u>3,148</u>

The amount charged in the year for Operating Leases was £31,000 (2007-08: £55,000). This charge was included within Information Technology & Communications Charges and relates entirely to equipment.

Auditors' Remuneration includes £98,000 (2007-08: £110,000) for the statutory audit fee.

5. TECHNOLOGY GRANTS

	2008-09 £000	2007-08 £000
Collaborative Research and Development	113,814	124,631
Micro Nano Technology	13,627	13,250
Knowledge Transfer Networks	19,816	17,473
Knowledge Transfer Partnerships	25,841	34,636
Energy	15,840	13,836
European Union	71	1,838
Legacy	385	3,816
Innovation Platforms	<u>10,144</u>	<u>524</u>
	<u>199,538</u>	<u>210,004</u>

Analysis of Technology Grants

Universities and not-for-profit private sector recipients	38,727	60,743
Other private sector recipients	157,527	143,635
Public sector recipients	<u>3,284</u>	<u>5,626</u>
	<u>199,538</u>	<u>210,004</u>

6. OPERATING INCOME

	2008-09 £000	2007-08 £000
Management Fee Charges	<u>1,162</u>	<u>1,127</u>

These charges represent co-funders' share of the costs associated with the management and delivery of the Knowledge Transfer Partnerships (KTP) programme.

The financial objective is to ensure that every sponsor, including the Technology Strategy Board, shares the cost of managing and delivering the KTP programme. In 2008-09, the charge was calculated on the basis of the estimated cost to manage and deliver KTPs, calculated at the beginning of the financial year with reference to the active partnerships at the end of the previous year. The full cost of the estimated management and delivery charge was £5,659,000 (2007-08: £5,497,000). The Technology Strategy Board's share of these costs was £4,070,000 (2007-08: £4,295,000). Taking one year with another, the financial objective of sharing the costs of management and delivery on an equitable basis between the sponsors is achieved.

This information is provided for fees and charges purposes, not for SSAP25 purposes.

7. NOTIONAL COST OF CAPITAL

	2008-09 £000	2007-08 £000
Notional Cost of Capital	<u>(3,091)</u>	<u>(2,147)</u>

This notional cost is included in the accounts to reflect a cost for the use of capital in the business in the year. The calculation is based on a 3.5% (2007-08: 3.5%) rate of return on average net assets/liabilities employed. The net liabilities were £87.68 million (2007-08: £88.97 million), excluding the balance held with HM Paymaster General of £14.27 million (2007-08: £11.97 million). In accordance with the FReM, the notional charge is subsequently reversed in the Statement of Net Expenditure.

8. FIXED ASSETS

	Fixtures and Fittings £000	Assets Under Construction £000	Total £000
Cost or Valuation			
At 1 April 2008	-	-	-
Additions	434	531	965
Disposals	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2009	<u>434</u>	<u>531</u>	<u>965</u>
Amortisation			
At 1 April 2008	-	-	-
Charge for the year	9	-	9
Disposals	<u>-</u>	<u>-</u>	<u>-</u>
At 31 March 2009	<u>9</u>	<u>-</u>	<u>9</u>
Net Book Value			
At 31 March 2009	<u>425</u>	<u>531</u>	<u>956</u>
At 1 April 2008	<u>-</u>	<u>-</u>	<u>-</u>

Assets under construction comprise software being developed by third parties.

9. DEBTORS

	2008-09 £000	2007-08 £000
Amounts falling due within one year		
Trade debtors	381	275
VAT recoverable	6	-
Prepayments and accrued income	<u>675</u>	<u>247</u>
Total Debtors	<u>1,062</u>	<u>522</u>
Analysis of Debtor balances:		
Bodies external to government	767	213
Other Central Government Bodies	<u>295</u>	<u>309</u>
Total	<u>1,062</u>	<u>522</u>

10. CREDITORS

	2008-09 £000	2007-08 £000
Amounts falling due within one year		
Trade creditors	11,698	13,892
Other creditors	258	191
VAT	-	117
Other taxation and social security	108	80
Accruals	77,632	75,213
Total creditors	<u>89,696</u>	<u>89,493</u>
Analysis of creditor balances:		
Other Central Government Bodies	5,796	4,154
Public corporations and trading funds	4	300
Bodies external to government	<u>83,896</u>	<u>85,039</u>
Total	<u>89,696</u>	<u>89,493</u>

11. RECONCILIATION OF MOVEMENTS IN GOVERNMENT FUNDS

	Income and Expenditure Reserve 2008-09 £000	Total Government Funds 2008-09 £000
Opening Balance	(77,001)	(77,001)
Grant-in-Aid financing	222,000	222,000
Funding from the EU	5,985	5,985
Funding from UK Partners	7,403	7,403
Net expenditure for the year	<u>(231,795)</u>	<u>(231,795)</u>
Closing Balance	<u>(73,408)</u>	<u>(73,408)</u>

12. NOTES TO THE CASH FLOW STATEMENT

a. Reconciliation of the net operating expenditure to net cash flow from operating activities

	Notes	2008-09 £000	2007-08 £000
Net Expenditure for the year		(231,795)	(238,754)
Depreciation	8	9	-
(Increase) in Debtors	9	(540)	(522)
(Decrease)/Increase in Creditors	10	<u>203</u>	<u>55,729</u>
Net Cash Flow from operating activities		<u>(232,123)</u>	<u>(183,547)</u>

b. Reconciliation of movement in cash to movement in net funds

	2008-09 £000	2007-08 £000
Net Funds at 1 April	11,970	-
Net cash inflow	<u>2,300</u>	<u>11,970</u>
Net Funds at 31 March	<u>14,270</u>	<u>11,970</u>

The Net Funds at 31 March, £14,270,000, were held at the Office of the Paymaster General.

13. CONTINGENT LIABILITIES

The Technology Strategy Board has no material contingent liabilities.

14. COMMITMENTS

a. Capital expenditure

	2008-09 £000	2007-08 £000
Authorised but not contracted for	<u>6,369</u>	<u>-</u>
Contracted but not provided for	<u>367</u>	<u>-</u>

b. Operating lease commitments

	Land and Buildings		Other Leases	
	2008-09 £000	2007-08 £000	2008-09 £000	2007-08 £000
Commitments at 31 March				
Expiring within one year	-	-	-	-
Expiring in the second to fifth years	-	-	18	11
Expiring after five years	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>-</u>	<u>-</u>	<u>18</u>	<u>11</u>

In connection with the move to new offices, the Technology Strategy Board entered into a lease. No rental payments are due under this lease until 2010-11.

15. RELATED PARTY TRANSACTIONS

- a. The Technology Strategy Board is an NDPB, sponsored by the Department for Innovation, Universities and Skills (DIUS) during the period covered by this Annual Report and Accounts. DIUS is regarded as a related party.

During the year, the Technology Strategy Board had a number of transactions with DIUS and with other entities for which DIUS was regarded as the parent Department, viz: the Arts & Humanities Research Council; the Biotechnology and Biological Sciences Research Council; the Engineering and Physical Sciences Research Council; the Economic and Social Research Council; the Natural Environment Research Council; and the Science and Technology Facilities Council. Also, the Technology Strategy Board had material transactions with other Government departments and with other central government bodies, viz: the Department for Environment, Food and Rural Affairs; the Department of Health; the Department for Transport and the Ministry of Defence.

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

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

include members of the Executive Board and all Board members, and financial transactions constitute payments of grant instalments.

During the year, the Technology Strategy Board did not enter into any transactions with any such Directors. However it did enter into a number of material transactions with bodies connected with Directors, who had no direct interest in the grant concerned. The information includes transactions with any related party of these Directors. None of the Directors were involved in the recommendation of grants awarded to the body to which they are connected.

Directors	Body	Amount £
Dr Graeme Armstrong	Akzo Nobel	49,952
	University of the Arts	142,996
Dr John Brown	OnyVax Ltd	279,603
Eur Ing Nick Buckland	University of Plymouth	464,104
Anne Glover	TeraView Ltd	197,473
Dr David Grant	Cardiff University	814,750
Mr Iain Gray	University of the West of England	313,452
Prof Julia King	Aston University	124,908
Dr Graham Spittle	Oxford University	1,628,630
	Southampton University	609,212
Dr Jeremy Watson	Ove Arup & Partners	93,055

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

16. FINANCIAL INSTRUMENTS

FRS 25 Financial Instruments – Disclosure and Presentation, FRS 26 Financial Instruments – Recognition and Measurement, and FRS 29 Financial Instruments – Disclosures have been introduced this year. There have been no adjustments to the financial statements in either the current or prior year. They require disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which it is financed, the Technology Strategy Board is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 25, 26 and 29 mainly apply. The Technology Strategy Board has very limited powers to borrow or invest funds, and its financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Board in undertaking its activities.

The Technology Strategy Board has entered into financial liabilities guaranteeing the effective sale prices of properties owned by certain employees given re-location assistance. These guaranteed prices are normally set 10% below market value at the time of valuation and are given to enable an employee to move quickly once an employment contract is agreed. These financial statements include £247,000 for accrued liabilities under this heading.

There are no other significant exposures.

Liquidity Risk

The Technology Strategy Board's net revenue resource requirements are financed by resources voted annually by Parliament. The Technology Strategy Board is not therefore exposed to significant liquidity risks. The Technology Strategy Board is dependent on funding from the Department for Innovation, Universities and Skills to meet liabilities falling due in future years, but there is no reason to believe that this funding will not be forthcoming.

Interest-Rate Risk

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

Foreign Currency Risk

Exposure to foreign currency risk is not significant. There is limited foreign currency income and funding and foreign currency expenditure is negligible.

17. EVENTS SINCE THE END OF THE FINANCIAL YEAR

There were no post Balance Sheet events between the Balance Sheet date and the 20 November 2009, the date when the Accounting Officer approved the accounts. The Financial Statements do not reflect events after this date.

As at 1 April 2009, the Technology Strategy Board took over some of the funding of the British National Space Centre's contributions to the European Space Agency. There is a potential foreign currency risk involved in managing these contributions. A plan is in place with our sponsoring department to manage this risk within the allocated budget; however there is assurance from the sponsoring department that non-controllable impacts above our budget would be covered by the sponsoring department. There is no impact on the 2008-09 financial statements.

On 5 June 2009, the Government announced the creation of a new Department for Business, Innovation and Skills (BIS) whose key role will be to build Britain's capabilities to compete in the global economy. The Department was created by merging the Department for Business Enterprise and Regulatory Reform (BERR) and Department for Innovation Universities and Skills (DIUS). The sponsorship responsibility for the Technology Strategy Board passed to BIS on that date.

There is no reason to believe that the expected government funding underlying the Board's going concern assertion will be affected by this change.



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