

**Science and Technology Facilities Council (STFC)**  
**Report and Accounts 2012-13**

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

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# Foreword

By Professor Sir Michael Sterling, Chairman

I am very pleased to present the Science and Technology Facilities Council annual report for 2012–13.

STFC is always at the centre of UK excellence in scientific research, and this year is no different. By funding researchers and academics across the country, and making world – class large facilities available to them, the Council continues to ensure substantial impact to the UK economy and society.

Not only is STFC benefiting UK science, but through vitally important international collaborations, we are contributing to research that has global significance. Being a part of these worldwide enterprises creates an unrivalled platform from which we can unlock incredible discoveries and innovations; from the discovery of the Higgs boson at CERN in 2012 to the inauguration of the Atacama Large Millimetre/ sub millimetre Array in Chile earlier in 2013, and more.

STFC has this year also engaged with two new international collaborations; paving the way to join the Facility for Antiproton and Ion Research (FAIR) in May 2013, which is set to become the CERN of the Nuclear Physics sector, and joining the European - Extremely Large Telescope (E-ELT), the world's largest ever optical telescope. These projects, still in their initial stages, are already showing great promise, and the next few years of their development will be a very exciting time.

We are undertaking our Programmatic Review, which will define a balanced programme of science within the budget we receive from Government. Despite the current difficulties within the economy, the importance of the science and research at STFC is still being recognised. In February, the Chancellor of the Exchequer, Rt. Hon George Osborne announced a major £30 million investment into global computing technology through the newly opened Hartree Centre based at Daresbury



Laboratory. The key role high performance computing is beginning to play in research and development has been highlighted through new partnerships of the Hartree Centre with Unilever, IBM and Optis to name a few.

This report describes the achievements that have been made by STFC over the last year, and shows how well we are established at the forefront of both UK and international science research. We continue to tackle the grand challenges that are facing our ever changing world for the benefit and growth of our society.

A handwritten signature in blue ink that reads "Michael Sterling". The signature is stylized and fluid.

# Introduction

By Professor John Womersley, Chief Executive

**W**e achieved many scientific and technological breakthroughs during 2012-13, but without a doubt the biggest came in July when particle physicists working at CERN confirmed they had found the long sought-after Higgs Boson.

As the funder of particle physics and the manager of the UK's CERN membership, STFC has been intimately involved in this decades-long quest, and we joined scientists across the globe in celebrating the findings. The search for the Higgs also inspired the public - at its peak on 4 July, the Higgs was mentioned every second on Twitter and more than 25 million people saw the coverage in the UK media.

The Large Hadron Collider (LHC) is now in shut down phase for three years for upgrades, but we confidently expect much more fascinating science to come from the huge quantities of data that have been gathered over the running period. Handling these unprecedented levels of data is a challenge in itself and the UK makes a significant investment in the computing infrastructure as part of the worldwide LHC Computing Grid, including the Tier 1 computing facility at STFC's Rutherford Appleton Laboratory.

In the wake of the excitement, STFC's travelling 'LHC on Tour' road show has been touring the UK, travelling more than 3050 miles to 14 venues - with more still to come. This year it has enthralled 600,000 members of the public at venues as diverse as The Houses of Parliament, Bristol Balloon Festival and the Jodrell Bank music festival. With hands-on exhibits aimed at explaining particle physics and the LHC to the public as well as a full scale model of the LHC tunnel the roadshow has been an incredible success.

Of course our science results this year extend way beyond the discovery of a Higgs particle: several large-scale astronomy projects have this year made the headlines with STFC making significant contributions to many of these. The Atacama Large Millimetre Array (ALMA) in Chile was officially opened this March to become the world's most complex ground-based telescope - the result of two decades of work from institutions all over the world, including in the UK. Made up of 66 antennas high in the Andes, ALMA will show us never-before seen details about the birth of stars and planets, and of infant galaxies in the early Universe.

STFC this year also announced its involvement in one of the biggest global science collaborations in history, after the UK government confirmed long-term investment in the E-ELT to be built in Chile by the European Southern Observatory (ESO).



The E-ELT will make huge strides toward our understanding of the Universe and our investment will ensure UK scientists and engineers, supported by STFC, will be heavily involved in the construction and operation of the telescope, which will be the most advanced of its kind. UK industry has already won £9 million worth of contracts, and that figure is predicted to increase as much as ten-fold before 2023 when construction is expected to be completed.

Exciting future astronomy projects have been confirmed this year with the selection of South Africa and Australia as the sites for the Square Kilometre Array (SKA) and the opening of the Project Office at Jodrell Bank near Manchester. The SKA will be the largest and most sensitive radio telescope in the world and will generate more data in a few weeks than the entire global internet does in a year.

The James Webb Space Telescope (JWST), which is to replace the Hubble telescope, received its first on-board instrument in the shape of the Mid-Infra-Red Instrument (MIRI), which was assembled at UKATC and RAL by UK scientists. MIRI is one of four instruments that will be fitted to the telescope when it launches in 2018.

The past year has also been an exciting time for STFC's spin-out companies. In March the European Space Agency Business Incubation Centre (ESA BIC) based at Harwell celebrated signing up ten tenants to its facilities within a year of the launch. This included Radius Health, which is adapting space technology to mobile x-ray machines that can be quickly and easily transported to the scene of an accident. The ESA BIC also reached the landmark of achieving its first alumni this year with company G2Way and their Low Level Earth Observation Model (LLEO) who moved out after completing 18 months in the incubation process.

Companies based in STFC's Innovations Technology Access Centre (I-TAC) at Daresbury Laboratory have also achieved successes, including pioneering high-tech firm Byotrol, which has clinched a major contract with retail giant Marks & Spencer. Other successes for this patented technology include Boots, Rentokil and Kimberley-Clarke, and it is already the main bacteria-killing ingredient in Tesco's own-brand multi-surface spray.

There was also cause for celebration at Daresbury Laboratory after STFC's 'Blue Joule' computer at the Hartree Centre was officially recognised as the most powerful supercomputer in the UK. Blue Joule, which is an IBM Blue Gene/Q computer, is not just powerful; it is also eight times more energy-efficient than other supercomputers. Breakthroughs in high performance computing could result in finding cures for serious diseases or significantly improving the prediction of natural disasters such as earthquakes and floods.

Further science highlights have come out of our large facilities across our three sites this year. The way in which we diagnose breast cancer is likely to be revolutionised through a technique developed at the Central Laser Facility (CLF). Spatially Offset Raman Spectroscopy (SORS) allows non-see-through objects, such as tissue, to be analysed deep beneath their surface, without any need for surgery. While still in a very early stage of research, it is hoped the technique could ultimately lead to an

instant diagnosis for breast cancer at the same time as a mammogram and would benefit 75,000 women each year in the UK alone. The same technique is already being used as a security device to detect liquid explosives in opaque bottles through our spinout company Cobalt Light Systems.

The collaborative research at Diamond Light Source has enabled scientists to develop a new methodology to produce a vaccine for foot-and-mouth disease virus (FMDV). Because the vaccine is all synthetic, made up of tiny protein shells designed to trigger optimum immune response, it doesn't rely on growing live infectious virus and is therefore much safer to produce.

ISIS and Diamond Light Source have this year benefited from a £12.9M investment in a UK catalysis hub which will make extensive use of RAL facilities including CLF. Catalysis science is critical for the country's chemical, energy, pharmaceutical, food, personal care and materials sectors and neutrons at ISIS will provide essential atomic-level information on catalysts.

Scientists at the SuperSTEM facility at Daresbury Laboratory have provided a breakthrough in the understanding of the super-material graphene by observing changes to its electronic structure as it bonds with a foreign element added to it just one atom at a time. The lightest, strongest and most conductive material known to man, graphene has the potential to have huge commercial applications ranging from telecommunications to energy technology and electronics.

In difficult times we cannot take public support for science for granted. I firmly believe that the achievements noted above - together with many others made by STFC and the research communities that we support over the past year - show that we are delivering outstanding and world-leading science along with huge impacts on society and the economy.



# Statutory basis of the Council

The Science and Technology Facilities Council (STFC) was established on 1 April 2007 as an independent Research Council under the Science and Technology Act 1965. STFC's Royal Charter was granted by Her Majesty the Queen on 7 February 2007.

STFC's activities during 2012-13 have been in accordance with the objects set out in its Charter which is available on the Council's website (see <http://www.stfc.ac.uk/Charter>).

## STFC organisation

STFC is one of Europe's largest multidisciplinary research organisations supporting scientists and engineers world-wide. The Council operates world class, large scale research facilities and provides strategic advice to the UK government on their development. It also manages the UK interests in major international collaborations such as CERN and ESO, and research projects, in support of a broad cross-section of the UK research community. STFC also directs, coordinates and funds research, education and training.

As well as operating as a single corporate entity, STFC has operated its own wholly owned trading subsidiary, STFC Innovations Ltd (SIL). This technology exploitation company successfully manages commercial activity through spin-outs, licensing and trading.

STFC continued to be the major shareholder in the Diamond Light Source Limited (DLSL), a joint venture established with the Wellcome Trust Limited for the construction and operation of the Diamond facility, a third generation, medium energy, synchrotron radiation source. STFC is also a partner in a number of other joint venture arrangements: Institut Laue-Langevin (ILL); the Harwell Science and Innovation Campus (trading name: Harwell Oxford); and Sci-Tech Daresbury (previously known as the Daresbury Science and Innovation Campus).

# Management Commentary

## STFC Financial Performance

The Financial Statements have been prepared in accordance with a Direction issued by the Secretary of State for Business, Innovation and Skills (BIS) in pursuance of Section 2(2) of the Science and Technology Act 1965.

The Financial Statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and the accounting and financial reporting standards issued or adopted by the International Accounting Standards Board as interpreted for Government use by the Financial Reporting Manual (FRoM).

STFC's Financial Statements are the consolidation of the Council and its wholly owned subsidiary, SIL. STFC's Consolidated Financial Statements incorporate the Council's share of the results of its joint ventures. The results of SIL and the joint ventures are consolidated in accordance with IFRS.

As a Non Departmental Public Body (NDPB) the Council is required to remain within its specific budgeted limits agreed with BIS, under the governance of Resource Accounting and Budgeting (RAB); the regime by which HM Treasury, on behalf of Central Government, ensures Public Sector spending is satisfactorily controlled. A new administration cost regime was introduced in the 2010 Spending Review and separate administration budgets have been issued to NDPBs with effect from 2011-12. In broad terms administration budgets cover the cost of all NDPB administration other than the cost of direct frontline service provision – the latter being classified as programme expenditure.

In compliance with the budgeting regime, the Council was required throughout the year to advise BIS of its total forecast net expenditure for the year end, split between administration, programme and capital, based on the requirement from HM Treasury to adhere as closely as possible to the forecast.

	Resource		Capital	Total
	Programme	Administration		
	£'000	£'000	£'000	£'000
Allocation	453,376	20,428	96,038	569,842
Outturn	435,038	20,724	94,304	550,066
*In year (under) / over spend	(18,338)	296	(1,734)	(19,776)

Following the necessary accounting policies the financial statements show net expenditure for the year of £486.7m. This is reconciled to the outturn position as shown below:

	Note to the Financial Statements	£'000
Net expenditure for the year as per CSNE		486,716
Annually Managed Expenditure not included in allocation		4,880
Property, plant and equipment (PPE) additions	13	38,175
Intangible additions	12	143
Investment additions	14	28,806
Investment disposals	14	(7,856)
Net PPE disposal	13	(798)
Total Outturn		550,066

\*The in year under spend includes an £11m impairment write back of plant, property and equipment (non-cash).



Consolidated Net Expenditure for the year reduced by £32.7m from £519.4m to £486.7m (page 48).

Significant decreases in expenditure:

- £12.8m international subscriptions: reduction in ESO subscription of £10.9m as STFC no longer pays a special contribution for joining late; reduction in the CERN subscription of £4.2m largely due to a reduction in the percentage contribution rate and a drop in the total contribution from partners; offset by an increase in the ILL subscription of £2.3m due primarily to post-Fukushima safety requirements;
- £10.9m depreciation and impairment; attributable mainly to professional revaluation of plant and machinery assets;
- £19.7m Research Grants: Science Strategy Grants decreased by £4.8m in line with the anticipated profile. The remaining movement is predominantly due to reductions in programme funding in 2012-13 in line with prioritisation and the Comprehensive Spending Review;
- £4.6m restructuring: £5.7m due to restructuring in 2011-12 offset by in year restructuring of £1.1m; and
- £6.7m other operating costs; £7.4m reduction in decommissioning costs mainly attributable to ISIS after a revaluation exercise was completed in 2012-13; offset by an increase of £700k in utilities.

Offset by the following:

- £6.5m increase in non-capital equipment, supplies and services; £2m due to the reclassification of expenditure following a review of STFC Assets under Construction (AUC's); the remaining difference is due to the change in mix of projects;
- £2.6m increase in share of post-tax losses on joint ventures relating to DLSL;
- £10.5m reduction in profit on acquisition : prior year included £10.5m relating to the transfer of assets from the North West Development Agency (NWDA); and
- £2.3m reduction in income: £1.7m due to contribution from other RCs for DLSL received in 2011-12 only; the remaining difference is due to the change in life cycle of projects.

From the Consolidated Statement of Financial Position (page 49) net assets as at 31 March increased by £70.6m from £926.3m to £996.9m. The main reasons for this are:

- £11.6m increase in property plant and equipment: in year capital additions (net of reclassifications) of £37.9m (including £8.5m to ISIS Phase 11 and £6m to RAL site infrastructure), an impairment write-back of £11m, combined with a positive professional revaluation of £24m was offset by in-year depreciation of £60m;
- £27.6m increase in investments: £31m increase in DLSL investment mainly relating to the revaluation required due to a difference in accounting policy (£28.3m); £1m increase in relation to HSIC LP; £5.4M ILL revaluation; less UK SBS disposal £9.8m;
- £7.7m reduction in derivative financial instruments: £5.4m relating to the redemption of forward contracts and £2.3m to revaluation;
- £7m reduction in cash and other equivalents resulting from more effective cash management and more frequent payment runs being made through year end; and
- £6m reduction in trade and other receivables; £2.7m due to improved debt management and reduction in accrued income of £1.6m due to different level of externally funded activities; and

These increases in assets are offset by:

- £46m reduction in trade & other payables: £25m mainly due to a balance at March 2012 which included £18m to IBM in relation to the additional e-infrastructure funding received during the year and £1.2m SKA Organisation. Reductions of £2m on early retirement creditor and £8m on grant accruals. Also there were some high value accruals totalling £8.5m in March 2012 that are not repeated in March 2013 including £1.7m restructuring, £2m Rainbow Seed Fund, £1.2m contribution to the Gemini Observatory; and
- £6m reduction in provisions: ISIS decommissioning reduced by £10.4m after a revaluation exercise; offset by an increase of £2.1m for ILL decommissioning; new decommissioning provisions totalling £1.3m for ALICE and the Electron Beam Test Facility; and a new restructuring provision £1m to cover the staff costs associated with the closure of the Joint Astronomy Centre (JAC), Hawaii in 2014-15.

## STFC Directorates

STFC is structured on a Directorate basis for management reporting purposes:

- Programmes: STFC's science and technology strategy, science operations and planning (including STFC's processes for peer review), world class research training programme, management of UK membership of and access to international facilities, STFC's programs in education, training and public engagement;
- National Laboratories: The management and operation of STFC's world class national laboratories located at the Rutherford Appleton Laboratory, the Daresbury Laboratory, the Chilbolton Observatory and the UK Astronomy Technology Centre plus the provision of access to world class experimental facilities and technologies;
- Business and Innovation: The delivery and development of the impact potential of STFC's expertise and facilities, through Business Development, Innovation and Campus Development;
- Corporate Services: STFC's support and operational functions covering Corporate ICT infrastructure at Rutherford Appleton and Daresbury Laboratories, estates management, safety, health and environment and human resources. It also covers the Legal and Commercial services for the whole organisation;
- Finance: STFC's overall budgeting and associated financial planning, financial management, financial support and financial accounting processes within the Council. It also covers key governance activities across the Council; and
- Strategy, Performance and Communications: The delivery of STFC's national and international strategic agenda, stakeholder management, performance and impact reporting, international relations, internal and external communications.

Note 2 to the Financial Statements gives a detailed breakdown of STFC's income and expenditure by Directorate.

## Creditor payment policy

During 2012-13 the Council paid 94.5% (2011-12 : 97.2%) of undisputed invoices within agreed Terms and Conditions.

The Council observes the Confederation of British Industries' Code of Practice regarding prompt payment and, in accordance with the Government direction, is committed to paying its suppliers within five days of the receipt of a valid invoice or earlier if suppliers terms dictate. During 2012-13 75.2% (2011-12 68.8%) of undisputed invoices were paid within five days. There are a number of initiatives in place within UK SBS to continue to improve performance in this area.

## Going Concern

STFC's Accumulated Income and Expenditure Reserve carried forward at 31 March 2013 shows a surplus of £885.9m. Under the Comprehensive Spending Review 2010, STFC has received financial allocations for resource and capital for the years 2012-13 to 2014-15. The settlement provides for the continuing going concern of STFC.

At the date of issue of this report we remain satisfied that the preparation of the Financial Statements on a going concern basis remains appropriate.

## Political and charitable gifts

The Council made no political or charitable gifts during the year.

## Freedom of Information

During 2012-13 STFC received 26 formal requests for information under the Freedom of Information Act 2000. Twenty five responses were answered within the timescale allocated and one request was transferred to another organisation. One internal review was requested. STFC also responded to three Subject Access Requests under the Data Protection Act 1998 and one request under the Environmental Information Regulations 2004.

STFC Publication Scheme and Information Charter are available on the website at:  
<http://www.stfc.ac.uk/access.aspx>

## Auditors

Internal audit was provided by the Research Council's Audit and Assurance Services Group (AASG). The Accounts of the Council were audited by the Comptroller and Auditor General of the National Audit Office (NAO), under the terms of Section 2(2) of the Science and Technology Act 1965. Their fee for 2012-13 was £148,000.

No non-audit work was undertaken by the NAO during 2012-13.

So far as the Accounting Officer is aware, there was no relevant audit information of which the Council's auditors were unaware. The Accounting Officer had taken all steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Council's auditors were aware of that information.

## Open access policy and funding

In response to the June 2012 report from the National Working Group on Expanding Access to Published Research Findings (the 'Finch Group'), the Research Councils have revised their collective policy on open access publication. The new policy, effective from April 2013, requires publications arising from Council funded research to be published in journals that either make the paper available on their own websites, usually in exchange for an article processing charge (APC); or permit the paper to be deposited in an open access repository within a defined period.

In support of this policy, the Councils are providing block funding to Research Organisations to help with the cost of open access, including APCs. The Councils have committed to providing funding over at least the next five years, with the level ramping up as more papers are expected to be published through the APC route. However, funding levels have been specified initially just for the years 2013-14 and 2014-15, with STFC contributions of £1.3M and £1.5M respectively. An interim review is planned for mid-2014 to assess how the system is working and to determine future funding levels.

Research Organisations will receive this open access funding in proportion to the amount of direct staff costs on the RC grants they received between April 2009 and March 2012. For administrative efficiency, only institutions that will be eligible for a block grant of £10,000 or more in Year Five will receive funding. These institutions accounted for over 99% of the direct staff funding.

## Performance and related trends

This report covers the sixth year of operation of the Science and Technology Facilities Council (STFC) during the second year of the 2010 Comprehensive Spending Review (CSR10) period.

## Performance management

Performance against the targets, milestones and metrics defined in the Delivery Plan and Scorecard documents is monitored routinely by BIS through the use of quarterly reports and a 'traffic light' based reporting system. The Scorecard is submitted to BIS for comment and subsequently reviewed by Council.

In 2012-13, STFC reported against 29 corporate level targets. Of these, 20 were met in full by the target dates. Four are marked amber/green, three amber, one red and one is not being taken forward due to revised priorities. Those targets which are amber/green, amber or red will be carefully monitored and action will be taken to complete them during 2013-14.

## Exemplar achievements throughout this reporting period:

### World Class Research

The quality of our university funded research is and continues to be world class. This year we helped push the boundaries of physics through the discovery of the Higgs Boson at CERN. The UK holds the leading global position measured by citation impact in astronomy and particle physics and second place in nuclear physics despite publishing fewer scientific papers than other countries, demonstrating the efficiency of our research system, according to a 2011 study. (Citation impact measures the relevance of a research paper to other work in the field and is a generally accepted metric of science impact). Our large facilities continue to uncover new scientific knowledge in subjects as diverse as nuclear reactors (where our work led to a five year extension of two power stations deferring £3bn in decommissioning costs), mapping the HIV virus and discovering how tooth decay advances, thereby supporting the world leading research of the other Research Councils.

### World Class Innovation

We have supported spinout companies that use, amongst other developments, astronomy techniques to clean up fuzzy medical scans, improve oil recovery rates in the North Sea, develop airport scanners that quickly and accurately detect explosives that will allow the liquids ban to be lifted, and monitor space weather to protect communications and power grids from severe disruption (one of the top five risks in the UK's National Risk Register). Our people continue to develop protocols and new internet technology in support of the World Wide Web that was itself borne out of particle physics research 30 years ago. The potential of this invention increases each year and the internet sector now makes an annual contribution of £120bn to the UK economy.

### World Class Skills

Our skills training helps sustain a scientific and technically skilled workforce to underpin the UK's high-tech economy. We have a rolling cohort of over 900 PhD students in universities and every year provide over 12,000 training days on ISIS, Diamond and the CLF for 1,500 PhD students funded by the other Research Councils. The 2011-12 Higher Education Statistics Agency (HESA) data shows more than 30% of our PhDs start work in the private sector, either in high tech companies or in financial services where their numerical skills are highly prized, and many more move into the private sector after undertaking postdoctoral research. We train the trainers and provide the design infrastructure for all microelectronics graduates in Europe, underpinning the £23bn UK microelectronics sector. Collaborative working is a valuable way to up-skill small and medium sized high-tech companies.

## Performance targets achieved

ISIS delivered over 750 experiments in the year for approximately 1,300 individual users, produced 539 mA-hr of beam on Target 1 and 116 mA-hr of beam on Target 2, and registered a user satisfaction of about 90% over a range of 15 indicators, against a target of 85%.

The Central Laser Facility comprises the Octopus, Ultra, Vulcan, Artemis, Astra and Gemini systems. In 2012-13, the CLF scheduled 215 weeks of user time (including 13 weeks commercial access) for 62 experiments. It recorded a user satisfaction of 97% and a reliability of 91.5%, both against a target of 85%. The Laser Loan Pool (managed on behalf of EPSRC) made 10 loans over the year.

For Diamond, in its sixth full year of operation, 6,275 user visits were made by users from academia and industry undertaking 1,556 experiments. The overall user satisfaction rate was 90% against a target of 80%.

During 2012-13, STFC ensured access for the UK research community to major European research facilities: 20.9% of public access to the neutron source at the Institut Laue-Langevin (ILL) and 9.7% of public access to the European Synchrotron Radiation Source (ESRF), both in Grenoble, France. Public access to both facilities decreased in comparison to 2011-12. At the ESRF the decrease was due to the continued limitation of UK beamtime which was related to payment of reduced contributions; at the ILL the decrease was due to an overall reduced level of demand for the facility from the UK community during this period. Although these figures are related to shareholding, they are dependent on the high scientific quality of beamtime proposals.

At CERN, the Large Hadron Collider machine, Worldwide LHC Computing Grid and experiments, continued to perform well above expectations with the machine operating at 8 TeV and achieving record luminosities. At a press conference on 4 July 2012, several months sooner than expected, the experiments were able to announce the discovery of a new particle helping our understanding of how fundamental particles acquire mass. This announcement, which created huge media interest and captured the public's imagination, was followed in March 2013 by confirmation that the new particle is a Higgs boson. In addition the results from all the experiments have improved our understanding of the Standard Model of Particle Physics.

## Strategy Development

During 2012-13 the restructuring of the senior management team was completed. This provided a coherent structure to deliver clear decision making, clarity of responsibility and accountability and to eliminate the complexity of previous arrangements. The new Executive Board is collectively responsible for the implementation of STFC's Strategy and Delivery Plan and a clear line of sight now exists between each Director's personal objectives and those of the organisation including specific links to our Corporate Strategy 2010-20.

The Strategy is underpinned by an annual Operating Plan which, coupled with the performance management arrangements in place to monitor progress against the Delivery Plan 2011-15, provides us with a robust planning framework.

Recognising the need to ensure that our strategic planning and evaluation functions are carried out effectively, in 2012-13, Executive Board approved the strengthening of the Strategy, Planning and Communications Directorate to provide additional capacity in the Strategy, Planning and Performance areas. This also extended to strengthening the capacity of our Impact Evaluation team. The effect of this increase in capacity will be felt in 2013-14.

During 2012-13, BIS announced the commencement of the Triennial Review of the Research Councils. The aim of the review is twofold: to challenge the need for existing Non-Departmental Public Bodies (NDPB) and, if it is agreed that they should continue, to review their control and governance arrangements to ensure that they are consistent with good practice. The outcome of the review of the Research Councils will be known in the autumn of 2013, at around the same time as 2015-16 finance allocations will become known. This will be a suitable time to take stock and consider if refreshing the STFC Corporate Strategy is required.

## Operational initiatives

During 2012-13 STFC continued to take forward a number of major projects, including:

### Harwell Oxford Campus (HO)

The first phase of residential properties has been released onto the market and is selling quickly.

Element 6, a subsidiary of the De Beers Group, has completed the external fabric of its new building at HO and started the internal fit out; completion is due in September 2013.

In November 2012 the Minister for Universities and Science, David Willetts MP, announced the UK Space Agency would fund the building of a new Centre for the European Space Agency (ESA). The Centre will become the home of ESA's operations in the UK which are set to increase markedly in the next two years.

### Sci-Tech Daresbury Campus

STFC, Langtree Limited and the Local Authorities continued to develop the Daresbury Campus.

The higher than average success rates of spin-out and start-up companies on the campus continues to put the campus amongst the best performers in the country.

During this reporting year we officially marked the opening of the Hartree Centre at the Daresbury Campus.

### Infrastructure Sustainability Programme

Despite restrictions on available capital, STFC has continued to re-invest in its buildings and property portfolio.

### Personal data related incidents

During 2012-13 there have been no serious or reportable incidents involving personal data. For the purposes of continuity and comparison with previous years, tables 1 and 2 illustrate this using the structure and format established by the Cabinet Office in 2008-09.

<b>TABLE 1: SUMMARY OF PROTECTED PERSONAL DATA RELATED INCIDENTS FORMALLY REPORTED TO THE INFORMATION COMMISSIONER'S OFFICE IN 2012-13</b>	
<b>Previous years Statement on information risk</b>	<p>During 2011-12, work has continued to build on the AASG Information Assurance (ST16-1011) recommendations, the development of IT policy (including Information Security) and improving operational response to information security incidents. In particular:</p> <ul style="list-style-type: none"> <li>• Information Risk management is now integrated with corporate risk management;</li> <li>• A suite of Information Security and related IT policies have been developed leading to the establishment of a wider STFC Information Security Policy Framework;</li> <li>• Following the publication of version 7 of HMG Security Policy Framework (SPF), a revised compliance plan has been commissioned;</li> <li>• STFC wide, all laptop encryption software has been upgraded and refreshed;</li> <li>• An STFC Scientific Data Policy has been drafted, approved and launched;</li> <li>• An internal IT vulnerability scanning service has been established enabling relevant staff to identify and remove vulnerable IT systems before they are externally attacked.</li> </ul> <p>Following three successful external attacks on STFC (including Denial of Service (DOS), port scanning and malware development), internal investigations have been completed which have resulted in changes in local working practices that have reduced the likelihood of these events occurring again.</p> <p>As the primary business of the STFC is to support, run and develop large scale scientific facilities for open academic research within the UK and abroad, the majority of information assets do not attract any form of protective marking such as PROTECT or higher and are outside the scope of the SPF.</p> <p>The STFC has arrangements in place to monitor and assess its information risks and will continue to identify and address any weaknesses and ensure continuous improvements of its systems.</p>

Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
Not applicable	None	None	Nil	Not applicable
<b>Further action on information risk</b>	STFC will continue to work with the other Research Councils, BIS and partners to implement and comply with the cross government mandatory minimum standards to protect personal data.			

Incidents deemed by the Data Controller (STFC) not to fall within the criteria for report to the Information Commissioner's Office or BIS but recorded centrally within the STFC are set out in table two below. Small, localised incidents that do not involve STFC personal or sensitive data are not cited in these figures.

Catagory	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	Nil
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	Nil
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	Nil
IV	Unauthorised disclosure	Nil
V	Other	Nil

## Near Misses

During 2012-13, there have been a total of eight near miss events that had the potential to include sensitive or Personal Protected Data (PPD):

**Lost Laptops (4) and phones (1)**  
**E-mail sent to wrong recipient (2)**  
**Compromised IT systems (1)**

### Lost laptops (4) and phones (1)

On four occasions, encrypted laptops were lost or stolen. No STFC USB drives were reported as lost or stolen. One phone was stolen yet it had not been used to access personal data and posed no data risk.

### E-mail to wrong recipient (2)

On two occasions during the year, e-mail messages containing potentially sensitive data were sent to the wrong recipients.

On one occasion, forms associated with a pre-employment screening were incorrectly sent to an internal member of STFC staff. The error was caused by the wrong process being used within the UK SBS. The error was reported to UK SBS so that the processes could be corrected. The error did not pose a risk to the individual as the member of STFC was trained in handling personal information and responded appropriately. This posed little or no risk to STFC.

On the other occasion, an e-mail address was mis-transcribed from a letter when responding to an FOI (Freedom of Information) request. The mis-directed information was not sensitive and posed no risk to STFC.

## Compromised IT systems (1)

In March 2013, an STFC IT system within the Scientific Computing Department at RAL was identified as having been compromised and swiftly isolated. An investigation showed that this system did not contain any user, sensitive or personal data given its role as a software repository. The attacker(s) used the IT resources of the equipment to mount a Denial of Service (DoS) attack targeted at an external network.

The main risk to STFC was reputational damage if the compromised host had succeeded with its attack. It did not and there was no potential reputational damage.

## Statement and actions on managing information risk

During 2012-13, STFC published an updated Information Security Policy. This successfully built on the previous year's work, is suitable for the scientific culture within STFC and is compatible with the SPF.

As the primary business of the STFC is to support, run and develop large scale scientific facilities for open academic research within the UK and abroad, the majority of information assets do not attract any form of protective marking such as PROTECT or higher and are outside the scope of the SPF.

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

## Health and Safety

STFC continues to maintain a safe and healthy working environment at its laboratories. STFC's Health and Safety (H&S) Policy was reviewed and re-issued by the CEO and the Safety, Health and Environment (SHE) Committee in 2012.

STFC H&S management is based on the establishment of clear line management responsibility for H&S. In addition the CEO appoints Directors at each of the major STFC laboratories to maintain independent oversight of site H&S, to monitor the implementation of Council Policy, and to bring to his attention the need for any action to improve H&S performance.

H&S committees are a key component of STFC safety management system. These meet regularly on Corporate, Site and Departmental levels, and include management and employee representatives. They consider incident reports, safety statistics and new safety codes, and provide a forum through which employee safety representatives can raise issues. Independent of the Departmental and Site safety committees, STFC's SHE Committee, chaired by the Executive Director Corporate Services, provides a focus for reviewing and developing the overall STFC SHE Management system, approving new code launches.

STFC SHE Group, including site Radiation Protection Advisers (RPAs) and Radioactive Waste Advisers (RWAs), and Occupational Health professionals, monitors corporate SHE performance against a basket of input and output H&S metrics, and advises management, and Site and Departmental Health and Safety committees.

During 2012-13 STFC made further progress in developing its SHE Management Systems:

- Corporate STFC wide annual H&S Improvement objectives were established and communicated to all staff for the first time by the Chief Executive;
- A further three SHE codes have been developed and launched across STFC;
- Departmental SHE improvement plans continue to provide the focus for reviewing and driving SHE improvement activities, with increasing focus on Environmental matters;
- During 2012-13 nine SHE compliance audits were undertaken to provide independent assurance to senior management of the implementation of STFC's SHE management system and recommend improvements;
- Improving SHE communication remains a key STFC focus, proactively sharing learning from SHE incidents using 'What, Why, Learning' posters, SHE Notices, the SHE website, and 'SHE Information' posters;
- During 2012-13 STFC SHE Group delivered an extensive programme of classroom and on-line SHE training courses to staff and others working at STFC sites, approximately 2800 course places. A new 'SHE Training Catalogue' was launched summarising the 60+ SHE courses available for STFC staff; and
- Following the first STFC Health and Safety Systems Audit undertaken by Santia Ltd. a prioritised programme of work has addressed its key findings.



The principal STFC laboratories, Daresbury (DL) and Rutherford Appleton (RAL), both received Royal Society for the Prevention of Accidents (RoSPA) highest accolades, 'Orders of Distinction', for their health and safety management practices and overall health and safety performance.

Accident and near-miss reporting and investigation continue to be important drivers of improvement in our SHE management system, and provide the basis of objective reporting of health and safety performance. Reported near misses increased by 26% on 2011-12, each providing the opportunity to improve the SHE management system and minimising the potential for future incidents.

STFC injury statistics for the financial years 2011-12 and 2012-13 are presented in the table below.

Statistics	2012-13	2011-12
Total Injuries to Employees	66	77
Total Injuries to Contractors	19	23
Total Injuries to Users/Visitors/Tenants	10	13
<b>All Injuries</b>	<b>95</b>	<b>113</b>
Reportable Injuries to Employees	3	6
Reportable Injuries to Contractors	1	4
Reportable Injuries to Users/Visitors/Tenants	1	0
<b>All reportable injuries<sup>1</sup></b>	<b>5</b>	<b>10</b>
Reportable injuries per 1000 employees	<b>1.84</b>	<b>3.60<sup>2</sup></b>

## Notes to data

<sup>1</sup> Convention change introduced by HSE in 2012-13 under the Reporting of Injuries, Diseases, and Dangerous Occurrence Regulations (RIDDOR), increasing the RIDDOR injury reporting period from more than three days to more than seven days absence with consequential reduction in RIDDOR numbers.

<sup>2</sup> Update to that reported in 2011-12 to reflect actual rather than estimated FTE staff numbers.

The total number of injuries to STFC staff, contractors and others working at STFC sites in 2012-13 was 95, a 16% reduction compared to the previous year, and the third consecutive year of improving injury performance. There was a significant fall in injuries to staff. The number of reportable injuries in 2012-13 - five - is a significant fall on 2011-12 due to the introduction of new Health and Safety Executive (HSE) RIDDOR reporting criteria for 2012-13. RIDDOR performance is in line with historic performance.

When STFC was established, liability for employment-related matters and historical liabilities transferred to it from its operational sites. The buildings at these sites date from the period when asbestos was a widely used building material, primarily in lagging and insulation. Managed early removal exercises were undertaken 20-30 years ago but there are still significant quantities of asbestos in the fabric of buildings and, in some cases, there are small quantities of debris from previous removal. In accordance with HSE recommendations, the location of known asbestos has been recorded and STFC policy is to manage asbestos in situ and to remove it only where there is a risk that it will be disturbed or it poses some other unacceptable risk.

Occupational Health teams at STFC sites, in addition to employment, hazard specific health screening and surveillance, and managing first aid teams, continued to participate in and support a range of national health initiatives including: 'No Smoking Day'; 'Know Your Numbers' (Blood Pressure); and other services promoting mental, sexual, travel and eye health.

## Radiological safety

As part of STFC's on-going commitment to managing and reducing radiation exposure of individuals in line with 'As Low As Reasonably Practicable' (ALARP) principles the RPAs reviewed and refined key radiation management controls: dose constraints; investigation; and action levels. ALARP principles are implemented practically by the on-going revision and application of local rules, development of safe systems of work, and completion of prior risk assessments undertaken by Radiation Protection Supervisors and RPAs for all work involving ionising radiation hazards.

During 2012-13 STFC RPAs at RAL and DL were also assessed and appointed by the UK RWA Approval Board, supported and recognised by the Environment Agencies and HSE, as RWAs able to provide advice on radioactive waste management and disposal.

RPAs/RWAs continue to develop and audit the implementation of STFC's SHE radiation management SHE codes. Specific consideration has been given during 2012-13 to the admission of young persons to work and visit controlled radiation and contamination areas resulting in revision and approval of STFC policy in this complex area, and provision of guidance for the design of personnel access controls to radiation areas.

RPA/RWA internal audits continue to provide focus and impetus to improve STFC radiation management with two completed in 2012-13. The audit programme identified a minor non-compliance with RAL permit conditions which was reported to the EA inspector who noted the non-compliance and determined further action was not necessary.

Landauer Inc. continued to provide STFC with a HSE approved dosimetry service during 2012-13 and made all statutory returns to both the HSE's Central Index of Dose Information and Public Health England's (formerly the Health Protection Agency's) National Registry for Radiation Workers. Personal doses continued to be low.

All statutory returns relating to STFC's radioactive pollution inventory and holding of radioactive materials were made to schedule to both the Environment Agency (EA) and UK Safeguards Office/European Atomic Energy Community (EURATOM).

## DL

The resignation of the DL RPA necessitated the appointment of a contract RPA/RWA for part of the year and the establishment of a Radiation Protection Officer (RPO) to manage operational Health Physics support.

The RPO and RPA continued to provide support to ALICE/EMMA and its development programmes, and the commissioning of the Versatile Electron Linear Accelerator (VELA) [formerly the EBTF]. Advice was provided on the design of the new facility, content of local rules and prior risk assessments, and radiation surveys were carried out on first operation of X-ray generating equipment and at new commissioning milestones.

Operational Health Physics work, including management of radioactive materials, radiation surveys, provision of personal dosimetry and management of Health Physics instrumentation, continued to be carried out by the RPA and RPO within the SHE Group.

The table below shows the results of monitoring of DL classified radiation workers during 2012. All doses were well below the statutory annual limits specified in the Ionising Radiations Regulations 1999; the annual dose limit for employees is 20mSv and that for members of the public 1mSv.

Year	Dose (mSv)				Total Persons
	0.00 - 0.09	0.10 - 0.49	0.50 - 0.99	> 0.99	
2011	5	0	0	0	5
2012	5	0	0	0	5

In addition, 25-30 non-classified workers were provided with regular personal dosimetry as part of the Laboratory's demonstration that doses are ALARP; the number of staff monitored fluctuated during the year owing to changes in roles and personnel. The majority of recorded doses to non-classified workers were below minimum detectable limits.

## RAL

RPA advice and assistance was provided across the wide scope of RAL radiation responsibilities, these included: the new experiments such as MICE; new or modifications to existing ISIS TS1 And TS2 beam lines; investigation of ISIS target failure; radioactive waste management and facilities; characterization of radioactive waste; audit of proposed radioactive waste disposal routes; and X-ray set critical examinations.

Applications were granted by the Environment Agency (EA) for two variations to RAL EA permits to manage radioactive materials and their disposal:

- An application to vary RAL's permit for the accumulation and disposal of radioactive waste, under Environmental Protection Regulations (2010), to facilitate radioactive waste management by enabling the disposal of radioactive waste to approved but unspecified organisations and an increase in the accumulation limits for some radionuclides; and
- An application to vary RAL's permit for the use of radioactive sealed sources to enable the more flexible use of category 4 sources at specified locations at RAL.

The theft of 1 tonne of mildly radioactive copper from RAL was reported to the EA and Thames Valley Police in 2012. All of the copper was subsequently recovered and the thief successfully prosecuted. The RPA assisted with response to and undertook an independent investigation of the incident, making recommendations and participating with subsequent visits by the EA and police examining RAL radiation controls and security. Prompt and rigorous investigation of the incident mitigated EA response and a programme of improvements to radiation controls and site security agreed in response to the EA report.

Annual, calendar year, radiation doses for ISIS classified workers remained within or close to upper dose investigation level of 3mSv and for other RAL employees and contractors below dose investigation level of 1mSv. Annual personal doses remained below 0.3mSv for members of the public at large.

The following table presents the results of personal radiation dose monitoring (including contractors) conducted at RAL:

Year	Dose (mSv)							Total Persons
	0.00 - 0.09	0.10 - 0.49	0.50 - 0.99	1.00 - 1.99	2.00 - 2.99	3.00 - 3.99	> 3.99	
2011	343	114	20	10	7	1	0	495
2012	294	170	18	10	6	0	0	498

The dosimetry results are comparable with previous years.

The ISIS Facility at RAL, through its normal operation, produces small quantities of radioactive solid, liquid and gaseous wastes.

The gaseous wastes, mainly tritium and short-lived radioactive nuclides, are discharged into the atmosphere via authorised and monitored ventilation stacks. The annual measured gaseous radiation levels of 65 GBq of tritiated water vapour, 245 MBq of Krypton-85 and 7.4 TBq of other nuclides were typical of previous years and well within EA permitted annual limits of 2,500 GBq and 200 TBq respectively.

Annual disposals of solid and liquid radioactive wastes, via approved disposal routes, from RAL were in compliance with its EA Permit: 86 GBq alpha and 69 TBq beta/gamma of solid materials, 9.6 GBq tritium gas, and 17 MBq beta/gamma of water.

## Public Sector Sustainability Report

This is STFC's Sustainability Report in accordance with HM Treasury reporting guidelines for public sector sustainability reporting<sup>1</sup>. This report sets out STFC's UK environmental performance against a common basket of metrics: greenhouse gas emissions; water usage and waste disposal, and their corresponding financial data.

STFC is committed to ensuring high standards of environment management and ensures all operations are conducted with proper regard for the environment according to the environmental standards and legislation of the countries where it operates. STFC is fully committed to maintaining and, where economically viable, improving the environmental performance of its operations consistent with delivering cutting edge science facilities for the UK. These objectives are endorsed by the CEO through the Environment Policy.

STFC environmental programmes range from supporting biodiversity on its sites, for example bee orchid conservation, using food and site wastes to generate compost, use of electric vehicles for on-site transportation, minimising night lighting and minimising light pollution, through to major investment in energy efficient heating systems and building insulation, and reduction in cooling water usage.

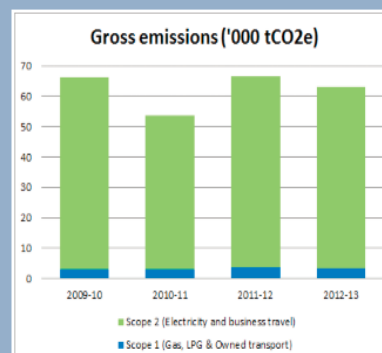
In line with HMT sustainability reporting guidelines<sup>1</sup> STFC facilities located overseas<sup>2</sup> and STFC shareholdings in scientific facilities in the UK and overseas are excluded from the data presented. STFC recognises the limitations of the dataset and aims to continuously improve reporting.

<sup>1</sup> See HMT Guidance 2012-13 Sustainability Reporting in the Public Sector, [http://www.hm-treasury.gov.uk/frem\\_sustainability.htm](http://www.hm-treasury.gov.uk/frem_sustainability.htm)

<sup>2</sup> Key 2012/13 data for STFC overseas sites: JAC Hawaii: electricity 1.794,200kWh; water 291m<sup>3</sup>; landfill 1.0tes; and ING Canaries: electricity 1,230,916kWh; water 60m<sup>3</sup>; landfill 2.4tes

## Greenhouse gas emissions

Greenhouse Gas Emissions <sup>1</sup>		2009-10	2010-11	2011-12 <sup>4</sup>	2012-13	
Non-financial indicators (1000t CO <sub>2</sub> e)	Total gross emissions	66.33	53.78	66.62	63.23	
	Total net emissions	66.33	53.78	66.62	63.23	
	Gross emissions Scope 1 (direct)	Gas & LPG	2.95	3.18	3.61	3.23
		Owned transport	-	0.04	0.05	0.04
	Gross emissions Scope 2 & 3 (indirect)	Electricity <sup>2</sup>	63.38	50.41	62.76	59.60
Business travel <sup>3</sup>		-	0.15	0.20	0.36	
Related Energy consumption (million kWh)	Electricity: non-renewable	117.15	93.18	115.85	110.18	
	Electricity: renewable	0	0	0	0	
	Gas	15.7	17.2	19.66	17.58	
	LPG	0.3	0.1	0	0.02	
	Other	0	0	0	0	
Financial indicators (£ million)	Expenditure on Energy	-	-	8.57	8.82	
	CRC Licensed Expenditure (2010->)	-	-	8.57	8.82	
	Expenditure on accredited offsets	0	0	0	0	
	Expenditure on business travel	-	-	1.38	1.27	



## Notes to data

<sup>1</sup> Data omits a small contribution to STFC's overall greenhouse gas emissions arising from its shareholding in the RCUK Shared Business Service Ltd, and for consistency employs 2009-10 carbon conversion factors.

<sup>2</sup> STFC science facilities, for example ISIS, CLF and super computers, account for a large proportion of STFC's electricity usage. The ISIS neutron science facility accounts for two thirds of STFC electricity consumption. Variation in the number of days ISIS operates due to maintenance and upgrade has a significant impact on STFC electricity consumption, during 2010-11 ISIS was shut down for a significant period resulting in a 20% reduction in electricity usage.

<sup>3</sup> Comparison of contract travel provider data and corporate finance costs indicate a quantity of off-contract travel for which STFC is unable to report emissions.

<sup>4</sup> 2011-12 data has been updated to reflect actual rather than estimated usages and other minor convention changes.

STFC greenhouse gas emissions are dominated by the use of electricity. The operation of the ISIS spallation neutron source at the Rutherford Appleton Laboratory (RAL) accounts for some two-thirds of all STFC electricity usage. While the annual electrical consumption of ISIS is affected by the number of days per year during which ISIS runs, by the lengths of planned maintenance programmes, and by the addition of new experimental facilities, efforts are continuously made to use energy-efficient operating conditions and technologies. In order to fulfil its charter objectives, STFC aims to operate energy-intensive science facilities such as ISIS, CLF and high-power computers for the benefit of UK academic and industrial users. As a consequence STFC has been given exemption by DEFRA from the Greening Government Commitments (GGCs).

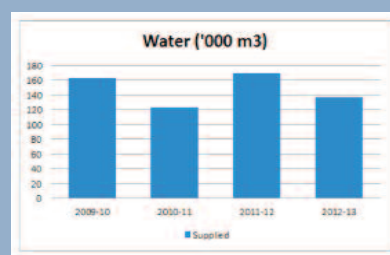
STFC has commenced a range of activities aimed at reducing the environmental footprint of its estates. For example, photovoltaic cells have been installed at the Royal Observatory Edinburgh (ROE), an 'earth tube' (ground source heat exchanger) installed at the Research Complex at Harwell at RAL, and at the Daresbury Laboratory (DL) installation of power conditioning (voltage regulation). Other technologies already implemented include: centralised condensing boilers; building energy monitoring; and Passive Infra-Red (PIR) sensors controlling lighting. These will be monitored to evaluate their effectiveness and determine whether they should be used more widely, as funds become available. While these economic energy savings will not offset the overall carbon consumption of scientific facilities they demonstrate STFC's commitment to energy efficient operation of its estates alongside the use of its facilities to develop the science and technologies that will underpin the UK's future energy programmes.

Business travel represents a small percentage of STFC greenhouse gas emissions. STFC has made significant investment in Video Conferencing (VC) facilities at STFC UK sites which minimises the need for staff travel. It is estimated that VC facilities could avoid over 1,000,000 miles of travel/year or 500te CO<sub>2</sub>e.

As a major electricity user STFC is registered with the Environment Agency (EA) administered CRC Energy Efficiency scheme and purchases allowances based on carbon emissions. Through the Carbon Trust's public sector 'Carbon Management Programme' STFC has reviewed its carbon baseline and identified a range of projects that, subject to available funding, will reduce STFC's non science carbon footprint by 15%. In addition DL was given 'Carbon Saver' standard in 2012-13.

## Finite resource consumption: Water

Finite resource consumption: Water <sup>1</sup>			2009-10	2010-11	2011-12 <sup>5</sup>	2012-13
Non-financial indicators (000 m <sup>3</sup> )	Total consumption		162.5	119.7	168.8	137.16
	Water consumption (non-office estate)	Supplied	162.5	119.7	88.5	101.53
		Abstracted	0	0	0	0
		Per FTE <sup>2</sup>	-	-	-	-
	Water consumption (non-office estate)	Supplied <sup>3</sup>	-	-	80.3	35.63
Abstracted		0	0	0	0	
Financial indicators (£k <sup>4</sup> )	Total cost		-	-	284	288
	Water supply costs (office estate)		-	-	149	213
	Water supply costs (non-office estate)		-	-	135	75



### Notes to data

<sup>1</sup> Data omits a small contribution to STFC's overall water usage arising from its shareholding in the RCUK Shared Business Service Ltd.

<sup>2</sup> Current estate water metering does not allow reporting of office and non-office estate consumption separately and therein the reporting of comparable normalised water consumption data by FTE.

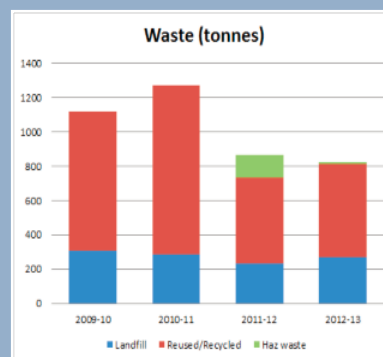
<sup>3</sup> STFC science facilities account for a large proportion of water consumption - employed for equipment cooling and generating deionised water. The largest single non-office water consumer is ISIS whose data is presented. The 2010-11 reduction in consumption can be attributed to a planned shutdown of the ISIS facility.

<sup>4</sup> Total cost of water supplied and its disposal.

<sup>5</sup> 2011-12 data has been updated to reflect actual rather than estimated usages and other convention changes.

## Waste management

Waste <sup>1</sup>		2009-10	2010-11	2011-12 <sup>6</sup>	2012-13	
Non-financial indicators (tonnes)	Total waste	1117	1231	863	836	
	Hazardous waste					
	Total <sup>2</sup>	-	-	131	10	
	Non-hazardous waste	Landfill <sup>3</sup>	308	289	232	271
		Reused/recycled <sup>4</sup>	809	942	500	539
		Composted <sup>5</sup>	-	-	-	16
		Incinerated with energy recovery <sup>3</sup>	-	-	-	-
Incinerated without energy recovery <sup>3</sup>	-	-	-	-		
Financial indicators (£k)	Total disposal cost	-	-	533.17	45.85	
	Hazardous waste <sup>2</sup>	-	-	567.32	29.17	
	Non-hazardous waste	Landfill	-	-	33.29	36.23
		Reused/recycled	-	-	- 67.44	- 22.96
		Composted	-	-	-	3.41
		Incinerated with energy recovery	-	-	-	-
Incinerated without energy recovery		-	-	-	-	



## Notes to data

<sup>1</sup> All reported weights are based on waste management contractor calculated averages for the assumed weight of standard containers/skips, and omits a small contribution to STFC's waste arising from its shareholding in the RCUK Shared Business Service Ltd.

<sup>2</sup> Hazardous waste data includes weight and cost for disposal of radioactive wastes. The overall weight and cost of disposal reduced in 2012-13 following large and costly shipments of radioactive wastes in 2011-12.

<sup>3</sup> From February 2013 approximately 20% of waste from DL was sent to an energy recovery plant and will be reported in future years. This facility is not available from the waste contracts at the other STFC sites.

<sup>4</sup> Variation in the weights of material recycled reflects volumes of scrap metals arising from the disposal or decommissioning of current or past science facilities, for example from the SRS decommissioning project.

<sup>5</sup> Two STFC sites, Rutherford Appleton and Daresbury Laboratories, recycle unused food waste from their restaurants.

<sup>6</sup> 2011-12 data has been updated to reflect actual rather than estimated usages, minor convention changes and a double counting error which resulted in a significant change in the landfill and total waste figures.

Recycled metal and electrical wastes dominate that sent to landfill or energy recovery and arise from the decommissioning of scientific facilities, for example the SRS at DL. During this period, and to date, underlying waste disposal to landfill or energy recovery has remained broadly constant.

STFC sites have differing waste management contracts and disposal routes depending on local commercial waste disposal infrastructure. DL benefits from the proximity of 'waste to energy' plants. At RAL and DL the waste management contracts have established 'Dry Mixed Recycling' whereby an increasing amount of recyclable waste is separated at source.

STFC has a wide and active re-use and recycle programme for many waste streams for example: waste electrical equipment and mobile phones; batteries; food wastes (composted at RAL and SO by on site accelerated composters); plastic cups; waste oils; fluorescent tubes; printer cartridges; office furniture; scrap metals; and cardboard (on site balers at RAL, TCH and SO). STFC hazardous wastes, chemical and radioactive wastes, while accounting for a small percentage of overall waste by weight and volume dominate the cost of waste disposal, and are disposed of through licensed waste management contractors. STFC science facilities, for example ISIS through their normal operation, generate quantities of low level radioactive solid, liquid and gaseous wastes. All such wastes are subject to strict Environment Agency permitting regimes for their accumulation and disposal, as appropriate, through licensed carriers and disposal sites.

## Environmental Management System

STFC has a published Environmental Policy supported by an Environmental management system which continues to be developed consistent with recognised environmental management standards such as ISO14001. STFC personnel at Polaris House, Swindon, are already working under a registered ISO14001 management system managed by the Natural Environment Research Council (NERC). In parallel environmental aspects and impacts assessments of STFC major sites are in progress and will now be subject to on-going review.

During 2012-13 ten environmental incidents/near misses were reported, typical of previous years. The largest cause of these incidents was leaks from contractor vehicles/equipment working on STFC sites that required the use of installed environmental spill kits. A theft of mildly activated copper, all subsequently recovered, has been classified an environmental incident along with the discovery through internal audit of a minor permit breach.

While exempted for GGC targets STFC has established a corporate environmental improvement plan to drive the delivery of economic environmental improvement in its estate in 2013-14. The plan addresses: the delivery of operational savings that also reduce the estate's carbon footprint; raising staff awareness of STFC's carbon footprint on energy, waste, and travel; and undertaking duty of care audits of waste disposal routes.



## Social and Community Issues

### Employee Relations and Communication

During the year, joint consultation and information sharing on a wide range of issues took place at both corporate and site levels between STFC management and employee representatives, with the Corporate Services Review being a particular focus of attention.

### Equality and Diversity

The Council has maintained its strong commitment to Equality and Diversity, recognising the benefits that a truly diverse workforce can bring. Our Diversity Forum has met, chaired by the Director who champions Equality and Diversity within STFC, and support has continued for our WISTEM network with a number of well supported events taking place during the year.

The main focus of our activity continues to be working to improve the proportion of women in our STEM workforce and at senior levels. A new development programme for women called 'Springboard' was piloted with 20 of our STEM women taking part, and this is likely to be repeated in the future. We are continuing to explore the issue of unconscious bias during the interview process, where women appear to fare less well than men and a workshop with recruiting managers was held during the year and will be rolled out more widely in the future. During this year STFC has worked with Women in Science and Engineering (WISE) and was pleased to participate on the judging panel for this year's Women of Excellence awards, and also to sponsor the award for Excellence in Outreach, which was presented by our Diversity Champion, Neil Geddes, to Maggie Philbin in the presence of HRH Princess Anne.

STFC continues to provide a wide range of flexible working options which help all employees to maintain a good work-life balance.

STFC was one of three Research Councils to participate in a pilot project, commissioned by BIS, to look at ways of increasing the numbers of women appointed to public boards in response to recommendations made by Lord Davies in his 2011 report. STFC achieved an excellent response rate to a survey of our current Science Panel and Council members aimed at helping us to understand what can be done to attract more women to apply for these roles, and we are now working with the other Councils to take forward some of the suggestions for improvement.

On disability our focus has continued to be on dyslexia, which is likely to affect around 10% of our employees to some degree. A lecture on developmental dyslexia was given at RAL in July by Professor John Stein from Oxford and was enthusiastically received. A Dyslexia Support Network Group has been established and has been active in supporting employees with dyslexia and also in promoting this work within the other Research Councils.

STFC's Two Ticks 'Positive about Disability' accreditation was renewed following an assessment visit by the Disability Employment Adviser in July. The Adviser was particularly impressed with the evidence submitted of reasonable adjustments that we have made to support disabled employees in the workplace.

On ethnicity, STFC acknowledges the very low numbers of non-white staff in its workforce, and is researching data on Black and Minority Ethnic (BME) students graduating in relevant science and engineering disciplines in order to determine the level of under representation and the scope for improvement.

At 31 March 2013:

- The average age of employees in STFC remained at 45;
- 5.3% of employees were non-white, representing a slight increase on previous years (4.6% in 2010, 4.4% 2011, 4.5% 2012)
- 24.2% of all staff were female, an increase from last year's figure of 22.3%, and 11.8% STEM staff were female, an increase on last year's figure of 10.9%; and
- Less than 1% of staff were known to be disabled. This is likely to be an underestimate because employees are not required to declare that they have a disability.

## Learning and Development

STFC continues to invest significantly in developing the scientific, technical, specialist and managerial competencies of its employees by providing access to a range of courses, conferences, learning resources, coaching and mentoring. During this year 57 staff attended STFC's CRISTAL 3 programme which is designed to develop management and leadership skills in response to 360 degree feedback.

STFC's mentoring scheme has continued to grow and one to one and team coaching has been provided to around 25 staff by a qualified internal coach, with excellent results.

STFC continues to run an accredited Graduate Training Scheme and our ranking in the Guardian Top 300 graduate recruiters increased from 97 in 2012 to 92 in 2013.

STFC also runs an Institute of Engineering and Technology (IET) accredited Advanced Engineering Apprenticeship scheme which trains mechanical, electrical and electronics apprentices. A record intake of 10 new apprentices joined us in autumn 2012. A number of our apprentices have won prestigious external awards and prizes during the year, reflecting the high standard and excellent reputation of our scheme.

STFC was pleased to be awarded the Institute of Physics award for Best Practice in Professional Development in July 2012, recognising our commitment to the training and development of our physicists and the value which we place on physics in society.

## Best Companies

To gain a measure of staff engagement STFC took part in the Times Best Companies employee survey for the second time in autumn 2012 and retained its 'One to Watch' status. Our overall score (Best Companies Index) showed a small improvement on our 2011 score. However our Leadership score showed an encouraging increase of 12%.

## STFC sickness absence: Summary of key findings

STFC actively manages sickness absence to minimise the impact on its work programme. Data is provided to managers and Senior Management on a regular basis. The preparation of composite, corporate data on an annual basis enables STFC to benchmark performance against comparator bodies. The Cabinet Office best practice approach is followed in preparing and analysing corporate absence data.

The following data has been abstracted from a composite analysis of absence records across STFC's UK Establishments over the period 1 April 2012 to 31 March 2013:

- The total number of days lost to sickness absence over the period was **7,011**. The average number of staff (persons) employed over the period and covered by the sickness absence arrangements was **1,661**; the average Full Time Equivalent (FTE) count was **1,618**;
- The derived absence rate (days lost per person) was **4.2**; the headline absence rate (days lost per fte) was **4.3**;
- The level of self-certificated absence was **3,362** days; medically-certificated absence was **3,649** days;
- There were **46** longer term absence cases (continuous or linked absences of 20 working days or more) over the period; the number of days lost to longer term absence represents **29.7%** of the total days lost; and
- The causes resulting in the largest working time losses were colds/coughs/influenza, (**22.2%** of days lost to sickness), surgery/post-operative recovery (**12.1%**), and accident/injury (**7.2%**). These are the same top three causes as in 2011/12.

STFC is regarded by the Civil Service as a medium sized employer. The 2012-13 headline absence rate of **4.3** days per FTE, unchanged from 2011-12, continues to compare favourably with a range of Civil Service departments and agencies in this group (based on published quarterly absence statistics) and matches the private sector average for working time lost (Office of National Statistics report entitled 'Sickness Absence in the Labour Market, 2011').

## RCUK Shared Services Centre (SSC) Ltd

In March 2013 there was a change in governance and ownership of the RCUK SSC Ltd resulting in the change of name to UK Shared Business Services Ltd (UK SBS Ltd). The details and implications of the change in governance and ownership are detailed in Note 14d of the Annual Accounts.

STFC continued to take services from the UK SBS Ltd throughout the year and this is referred to in the Governance Statement.

The organisation is referred to throughout the Accounts under its new name of UK SBS Ltd.

Signed:



John Womersley  
Accounting Officer

Date 28th June 2013

# Remuneration Report

## Council Chair and Members

The Knowledge and Innovation Group (K&I) within the Department for Business, Innovation and Skills advises Research Councils of the rates they are required to pay and these are reviewed annually.

## Chief Executive

The remuneration of all Research Council Chief Executives is determined by the K&I Group. Chief Executives are paid both a basic salary and performance pay comprising annual, RCUK and appointment term bonuses of up to 5%, 5% and 10% respectively.

The basic salaries are derived from three pay bands, which reflect the differing sizes and responsibilities of the Councils. Each band has four increments and, subject to at least satisfactory performance, Chief Executives receive an increment each year until they reach the top of the scale. In addition it is practice that all amounts are revalorised in line with the Senior Civil Service.

At the beginning of each year, the Director General of Knowledge and Innovation (DGKI), and the relevant Council Chairs, agree with Chief Executives a set of individual and RCUK performance objectives for the year. In addition a set of appointment term objectives are agreed early in the appointment, which are reviewed annually. At the end of the year the Chief Executive, Chair and an independent Council Member write an assessment of performance over the year, and the DGKI, with advice from colleagues, agrees an K&I Group assessment of overall performance and specific achievements against objectives for annual and appointment term objectives.

A Remuneration Committee established and chaired by the DGKI then meets to review the Chief Executives' performance and to agree its recommendations, taking into account the assessments and any comments in the papers.

The appointment term bonus is assessed each year and the amounts agreed are retained and are then paid out at the end of the appointment term. If the Chief Executive leaves early the Remuneration Committee may recommend a reduced bonus be paid depending on the circumstances.

## Other Senior Employees

STFC's Remuneration Committee is a standing committee of Council, and its role is to determine the remuneration of the senior staff in STFC, both base pay and annual performance related bonus payments, based on the achievement of both corporate and individual objectives.

Membership during 2012-13 was:

Mrs Gill Ball, Chairman and Council Member

Mr Marshall Davies, Audit Committee Chairman and Council Member

Professor John Womersley, Chief Executive, also attended as an observer. Mr Gordon Stewart acted as secretary to the Committee.

The Committee took account of the remuneration policy for senior civil servants. A set of pay points has been introduced that aligns with job evaluation scores with headroom on each point in relation to Civil Service medians, to which the points are linked.

In accordance with Government guidance no pay award increases were made in the base pay of senior staff in STFC.

In determining 2012-13 bonus payments the Committee applied the guidance of the sponsoring Department and allocated 5% (2011-12: 5%) of the senior staff pay-bill for bonuses as specified in the Cabinet Office guidance. That sum will be allocated on the basis of an assessment of each individual's performance during the year, taking account of each individual's self-assessment; his/her line manager's appraisal of that self-assessment, and the Committee's own moderation of these. A bonus will only be paid where there was demonstrable achievement beyond what is specified in the individual's job description.

## Contracts of Employment

### Council Chair and Members

Council Chair and Council Member appointments are Ministerial Appointments made by the Secretary of State for Business, Innovation and Skills. The process for new appointments to the Council Chair and Council Members is conducted under the Code of the Commissioner for Public Appointments. This is available at [www.ocpa.gov.uk](http://www.ocpa.gov.uk). In accordance with the Code, vacancies are advertised nationally and a panel, including independent members, oversees the process. The panel reviews all applications, shortlists and interviews, and then makes a recommendation to the Secretary of State. Once the Secretary of State has made a final decision, an offer of appointment is issued by the K&I Group on his behalf, to the successful candidate.

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

### Other Senior Employees

All appointments to permanent roles in STFC are made on the basis of merit and through fair and open competition. The Chief Executive allocates responsibilities to senior employees.

Unless otherwise stated below, the staff covered by this report hold appointments which are open-ended. Senior employees are required to give a notice period of three months. As with all employees, senior employees no longer have a contractual retirement age, in accordance with legislation, but are eligible to draw their pension from the age of 60 or 65 in accordance with the rules of the relevant pension scheme.

Early termination of employment, other than for misconduct, would result in the individual receiving compensation as set out in STFC's Conditions of Employment Memoranda, which in this area enact the provisions of the Civil Service Compensation Scheme, or in individual contracts of employment.

## Audited information

### Remuneration of Council Members

The Council comprises external appointees and the Chief Executive. The Chief Executive's remuneration is detailed below. The standard honorarium paid to Council Members remained unchanged at £6,850 effective from 1 October 2009. Council Members may receive additional honorarium for chairing advisory committees. The honorarium paid to the Council Chairman is dependent on the level of activity during the year. Council members did not become members of a pension scheme and there were no superannuation payments relating to the fees paid to them.

Remuneration was in the following ranges:

	Annual Honoraria	
	2012-13 £'000	2011-12 £'000
Mrs Gill Ball OBE	5-10	5-10
Professor Martin Barstow FRSA FInstP	5-10	5-10
Mr Marshall Davies	5-10	5-10
Dame Professor Julia Goodfellow	5-10	5-10
Dr Michael Healy	5-10	5-10
Professor David Price FGS (appointed 1 April 2012)	5-10	-
Professor Sir Michael Sterling FEng (Chair)	45-50	50-55
Professor James Stirling CBE FRS	5-10	5-10
Mr Ian Taylor	5-10	5-10
Mr Will Whitehorn	5-10	5-10
Professor Sir Peter Knight (term ended on 31 March 2012)	-	5-10

The Council reimburses travel and subsistence expenses necessarily incurred by Council members attending meetings or undertaking other tasks arising from their membership, in accordance with the conditions and at the rates applying to the Council's employees. The amount reimbursed for 2012-13 was £4,900 (2011-12: £5,821).

## Salary and pension entitlements of senior employees

The following sections provide details of the remuneration and pension interests received by senior employees in their capacity as members of Executive Board during the year.

	2012-13 £'000		2011-12 £'000	
	Remuneration	Bonus	Remuneration	Bonus
Professor John Womersley	125-130	0-5	105-110	5-10
Professor Keith Mason (term ended 31 Oct 2011)	0	0	130-135	0
Dr Timothy Bestwick (appointed 1 Apr 2012)	80-85	5-10	0	0
Professor Grahame Blair (appointed 1 Oct 2012)	90-95	0	0	0
Dr Sharon Cosgrove (appointed 1 Apr 2012)	85-90	5-10	0	0
Mr Paul Hartley (term ended 31 Mar 2012)	0	0	90-95	0-5
Dr Janet Seed (1 Apr 2012 to 30 Sept 2012)	90-95	5-10	0	0
Mr Gordon Stewart	105-110	5-10	105-110	5-10
Dr Andrew Taylor (appointed 1 Apr 2012)	95-100	5-10	0	0
Mrs Jane Tirard	105-110	5-10	105-110	5-10
Professor Richard Wade (term ended 31 Mar 2012)	0	0	105-110	5-10
Professor Colin Whitehouse (term ended 31 Mar 2012)	0	0	90-95	0
Band of highest paid Director	125-130		130-135	
Median Total Remuneration	35,282		33,780	
Ratio	3.68		3.92	

- Remuneration includes any allowances but not benefits in kind or employer's pension contribution.
- Full year equivalent salary is shown for those senior employees that have only served on the Board for part of the year.
- Bonuses disclosed were paid in 2012-13 and relate to performance in 2011-12.
- Senior employees, including Executive Board members did not receive pay awards in 2012-13; bonus payments to senior employees, including Executive Board members, were made at the same level as in 2011-12. Any variation in Executive Board average earnings year on year is therefore purely as a result of changes in membership.

## Benefits in kind

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

Jane Tirard received some assistance under the relocation terms within her letter of appointment 2012-13: £NIL (2011-12: £1,864).

No other members of the Executive Board received benefits in kind in 2012-13.

## Pension Benefits

See Note 4 to the Financial Statements for details of the pension scheme arrangements

### Real increase in pension and related lump sum at age 60

	Accrued pension at retirement age as at 31/3/13 and related lump sum	Real increase /(decrease) in pension and related lump sum at retirement age	CETV at 31/3/13	CETV at 31/3/12*	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Professor John Womersley	15 - 20 plus no lump sum	2.5 – 5 plus no lump sum	240	171	53
** Dr Timothy Bestwick					
Professor Grahame Blair	0 – 5 plus no lump sum	0 - 2.5 plus no lump sum	13	0	10
Dr Sharon Cosgrove	5 – 10 plus no lump sum	0 – 2.5 plus no lump sum	92	64	18
Dr Janet Seed	25 – 30 Plus 75 – 80 lump sum	5 – 10 Plus 15 – 20 lump sum	461	347	94
Mr Gordon Stewart	10 – 15 plus no lump sum	0 – 2.5 plus no lump sum	159	128	14
Dr Andrew Taylor	40 - 45 plus 130 - 135 lump sum	0 – 2.5 plus 0 – 2.5 lump sum	986	977	(-3)
Mrs Jane Tirard	10 - 15 plus no lump sum	0 – 2.5 plus no lump sum	145	110	21

\*The actuarial factors used to calculate CETVs were changed in 2011-12. The new factors are used in the calculator for the CETV values at the start and end of period. This means that the CETV value shown for the start of the period will not match the CETV value for the end of the period in last year's disclosure exercise. This has been explained to employers in the associated EPN.

\*\* Dr Timothy Bestwick is not a member of the Research Councils' pension scheme. STFC contributes 11.5% of pay to his personal pension plan.

## Accrued Pension

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 dependant on the scheme in which the individual is a member.



## 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 or partner's pension payable from the scheme. A CETV is a payment made by a pension scheme when the member leaves a scheme and chooses to transfer the benefits accrued in the former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures include the value of any pension benefit in another scheme which the individual has transferred to the Research Councils' pension arrangement and for which the Research Council Pension Scheme (RCPS) has received a transfer payment commensurate with the additional pension liabilities being taken on. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years and additional pension at their own cost.

## 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) and uses common market valuation factors for the start and end of the period.

Signed:



John Womersley  
Accounting Officer

Date: 28th June 2013

# Annual Accounts

## Statement of the Responsibilities of the Science and Technology Facilities Council and of its Chief Executive

Under Section 2(2) of the Science and Technology Act 1965 the Council is required to prepare a statement of accounts for each financial year in the form and on the basis directed by the Secretary of State for Business, Innovation and Skills with the consent of the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of the Council's state of affairs at the year end 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:

- observe the Accounts Direction issued by the Secretary of State for Business, Innovation, and Skills, 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 the going concern basis.

The Secretary of State for Business, Innovation and Skills has designated the Chief Executive of the Science and Technology Facilities Council (STFC) as Accounting Officer of STFC. 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 the keeping of proper records and for safeguarding STFC's assets are set out in 'Managing Public Money'.

# Governance Statement

## Scope of Responsibility

As Accounting Officer, I have personal responsibility for maintaining a sound system of internal control that supports the achievement of STFC's policies, aims and objectives. I ensure that STFC operates effectively, to a high standard of probity and safeguards the public funds and assets.

## The purpose of the Governance Statement

It is fundamental to my Accounting Officer's responsibilities to manage and control the resources in my charge. This Governance Statement is a key feature of the means by which I provide assurance on how these duties have been carried out in the course of the year.

It brings together the critical stewardship activities of the organisation that I rely upon to gain assurance on the day-to-day activities and to make informed decisions about progress of STFC and the contribution of key partner organisations. It supplements the accounts, providing a sense of STFC's performance; and of how successfully it has coped with the challenges it faces now and into the future. The STFC stewardship framework encompasses performance management, risk management and internal reporting mechanisms and provides an insight into the business of the organisation and its use of resources. In forming my views I have been supported by the STFC Governance framework which includes the Council, its committees, senior management boards and officials and all STFC staff.

## The Organisation's Governance Framework

The STFC is an independent non-departmental public body of BIS. Ultimately STFC is accountable to the public through Parliament for the funds it expends. Parliament monitors and influences the Council's work through its Select Committees, Public Accounts Committee, the National Audit Office and the Parliamentary Ombudsman. Our mission is set out in the Royal Charter granted to us by HM Queen Elizabeth II. The STFC's working relationship and lines of accountability with its sponsor department BIS are defined through a Management Statement and Financial Memorandum, which are subject to periodic review. STFC is compliant with the 'Corporate Governance in central government departments – Code of Practice (July 2011)'.

There are adequate arrangements in place to ensure a sound governance framework within STFC. There is a clear structure in place with reporting lines evident and terms of reference to support the individual Boards / Committees in their decision making processes. All committee members are required to declare their interests annually and at the commencement of each meeting to ensure that decisions being taken have been taken on a fair and equal basis.

## Council

The Council, STFC's governing body, is appointed by the Minister of State for Universities and Science. Council membership is reflective of our stakeholder base with representation from academia, public service and industry. Council completes a self-assessment exercise and assesses individual performance annually. A full independent assessment will be carried out in the near future.

The Council's terms of reference reflect its responsibility to ensure that the STFC delivers its goals, and upholds its responsibility towards its stakeholders, users, members of the public and staff. In addition, the Chair has specific responsibilities in relation to identification of strategic priorities, interaction with BIS, input and engagement with stakeholders, as well as representational duties.

During the year Council's main activities included:

- Supporting and informing the development and delivery of the STFC strategy including monitoring progress against the Delivery Plan and Operating Plan;

- Receiving reports on financial plans and performance throughout 2012-13 and approval of the 2013-14 allocations/budgets;
- Taking major decisions including; RCUK Capital Investment Framework; major capital investment projects awarded by Government; SKA; Diamond Light Source; CEO Recruitment; Campus Development Initiatives; closure of the Island Sites and E-ELT;
- Receiving reports and decisions on major management issues including the Corporate Services Directorate (CSD) Review and campus related matters; and
- Receiving reports from sub-committees including, Triennial Review/Spending Review Working Group, Science Board, Audit Committee, Economic Impact Advisory Board and Public Engagement Review Board.

The minutes of Council meetings are available on the STFC website

This is the first year in which Council have held bi-monthly formal meetings and along with major initiatives they have discussed a number of business critical issues such as the Triennial Review and budget oversight. Council members also engage in a range of stakeholder activities including the LHC on Tour events (held at the UK Parliament and Welsh Assembly). They attend interactive exhibitions within STFC to meet the staff and find out more about the work that they carry out. Council members carry out an annual self-assessment exercise and continue to seek to improve their performance based on the outcome of this.

Council membership and attendance 2012-13

	<b>Attendance at Business meeting</b>
Professor Sir Michael Sterling FEng (Chairman)	4/4
Professor John Womersley (Chief Executive )	4/4
<i>Members</i>	
Mrs Gill Ball OBE, University of Birmingham	4/4
Professor Martin Barstow FRSA FInstP, University of Leicester	4/4
Mr Marshall Davies, Independent Advisor	4/4
Dame Professor Julia Goodfellow, University of Kent	3/4
Dr Michael Healy, Astrium	3/4
Professor David Price FGS, University College London	3/4
Professor James Stirling CBE FRS, University of Cambridge	3/4
Mr Ian Taylor, Independent Advisor	4/4
Mr Will Whitehorn, Loewy Group	3/4

A sub-group of Council Members have met approximately every six weeks to prepare and advise for the Triennial Review and on STFC's strategy for the next Spending Review. A register of Council Members' private, professional and commercial interests is maintained by the Council. The register and further details on the STFC Council and its advisory committees are available on the STFC website.

## **Executive Board**

The responsibility for the Council's activities rests with members of the Council including the Chief Executive in his role as Accounting Officer. The Executive Board supports the Chief Executive, and thereby the Council.

With effect from the 1 April 2012, Executive Board was reconstituted as part of an internal restructuring exercise and new Executive Director appointments were made. A self-assessment exercise was carried out to review performance and the continued relevance of its remit. The board concluded that performance and terms of reference was satisfactory. The key items of discussion this year include:

- STFC's programme, assets and staff;
- STFC's strategy and the balance of its programme;
- Business and Financial Planning;
- Monitoring performance of directorates and departments;
- Management of corporate risks;
- Corporate standards and policies; and
- Strategic communications and stakeholder relationships.

## Audit Committee

The STFC Audit Committee supports the Council and Chief Executive, in matters of governance, risk and control. The Audit Committee Chair appoints members to the Committee with the support of Council. The Audit Committee's primary responsibility is to provide Council with their view on the output from both management and independent assurance activities.

The Audit Committee is an advisory body with no executive powers. However, it is authorised by Council to investigate any activity within its terms of reference. The key items of discussion this year include

- The STFC Annual Report and Accounts;
- The UK SBS Ltd;
- Director Stewardship Statements;
- Outcomes of Risk Management reviews;
- Safety, Health & Environmental management; and
- Outcomes of AASG audit reports and implementation of the resulting recommendations.

The Committee met 4 times during the year.

Members	Attendance
Mr Marshall Davies, Chair and Council Member	4/4
Mrs Gill Ball OBE, Council Member	4/4
Mr Rob Low, Independent Advisor*	2/2
Mr Ric Piper, Independent Advisor	4/4
Ms Angela Marshall**	1/1
Mr David Noble**	1/1

\* Rob Low retired from Audit Committee in July 2012

\*\*New Members – joined January 2013

Audit Committee periodically and continuously reviews its performance. Terms of Reference were reviewed and updated in April 2012. There is a consistent agenda followed, with an opportunity for the members to declare any conflicts of interest at the outset of the meeting. All actions arising are clearly documented within the minutes and are followed up as a standard item on the agenda. Members attend training and workshop events and use these activities to continually challenge the performance and remit of the group.

Audit Committee hold closed sessions with auditors at each meeting. The Audit Committee Chair further engages with the executive and auditors between meetings in matters of governance, risk and various review processes.

### Other Boards and Committees

As part of its internal governance arrangements STFC also reviewed the remit and performance of the following groups:

- Science Board (sub-group of Council);
- Remuneration Committee (sub-group of Council);

- Operations Board (sub-group of Executive Board);
- Risk Assurance Group (sub-group of Operations Board); and
- Project Review Committee (sub-group of Operations Board).

The reviews concluded that there was evidence of satisfactory performance, although some minor improvements and amendments to the Terms of Reference will result.

## The Risk and Internal Control Framework

The STFC has a robust risk management framework reflecting an organisation that operates on an international scale with novel and complex technologies, large scale investments and major high profile facilities. The risk management framework has been formulated with reference to STFC's structure, processes and mode of operation and is promulgated through a stewardship framework built on:

- Clear direction on priorities through clear strategies, plans, policies and procedures;
- Clear delegation of authority and accountability;
- Regular oversight, including risk review and reporting; and
- Management (e.g. stewardship returns, embedded risk management) and independent assurance (e.g. internal audit) which review performance, compliance and effectiveness of controls.

Annual delegation letters issued to Directors reinforce the application of performance and risk management standards and emphasises the importance of internal audit and other review processes.

Members of a Risk Assurance Group (RAG) consult with colleagues and meet every six months to review departmental risks and input to the corporate stewardship reviews. Business critical projects are subject to oversight by a Project Review Committee (PRC) that reports to the Operations Board (OB).

Risks to information are managed by the Senior Information Risk Owner (SIRO) supported by information asset owners from across the organisation.

Directors are required to carry out a risk review and include a statement on significant matters within 'Stewardship Statements'. Outcomes from Departmental risk reviews are linked through to the corporate risk register and reflected in reporting to Executive Board and Audit Committee. The corporate risk register was refreshed during the year to better focus Executive Board oversight, update retained risk and to delegate risks to departments. The Corporate risks are:

- CR1. UK SBS Ltd Service Delivery
- CR2. Financial Management
- CR3. Facilities Funding
- CR4. Campus Developments
- CR5. Restructuring (retired in-year)
- CR6. Triennial Review (new during year)
- CR7. Future Funding (revised in-year)
- CR8. Corporate Services Directorate Review (new during year)

Key highlights from these activities are reflected under 'Significant Issues' and 'Conclusions' later in this statement.

## Review of Effectiveness

As Accounting Officer I have been advised of my new responsibilities and accountabilities. My review is informed by the day-to-day management processes including: work of the executive managers who apply the internal control framework, the internal auditors; and other review groups.

The STFC operates on an international scale with novel and complex technologies, large scale investments and major high profile facilities. To succeed in this environment and to position ourselves as leaders; we need to ensure we have a strong strategic approach, a good evidence base and a strong reputation. We use our brokerage skills to strengthen our relations with industry, academia and other stakeholders and above all we need to continue to deliver science of the highest quality.

We fulfil our responsibilities by a range of mechanisms including:

- Strong operational oversight through line management activities and board oversight through Operations Board and its sub-groups;
- Communication of comprehensive plans, policies and procedures, particularly in areas of health, safety and the environment;
- Highly skilled staff with expertise, experience and track record for delivering high end facilities and novel and complex projects; and
- Embedded oversight and review activities that continually challenge our priorities, performance and control.

In the following paragraphs I describe some of the key contributory review groups that support the overall conclusions set out here.

## Director Stewardship Statements

STFC directors provide annual 'Stewardship Statements' on their areas of responsibility, which provide additional management assurance on the system of internal control. These returns provide a generally positive assessment of STFC operations but highlight concerns relating to SBS service delivery; financial management, financial resources and staffing. Embedded within this framework are formal 6-monthly risk reviews and dashboard reporting to Operations Board and Executive Board.

## Audit and Assurance Services Group (AASG)

The Director of the Audit and Assurance Service Group (AASG), the STFC's internal auditor, is required to provide me with an opinion on the overall adequacy and effectiveness of the STFC's framework of governance, risk management and control. This opinion is informed by the internal audit work completed during the year, in line with the internal audit plan agreed by management and the Audit Committee. In expressing his opinion the Director of Internal Audit has provided the Accounting Officer with an overall opinion of Substantial Assurance reflecting a generally sound system of internal control, designed to meet the organisation's objectives, and that controls are generally being applied consistently.

The work of the AASG provides assurance in four areas: core STFC activities; cross-Council activities which STFC is involved in; processes shared by the STFC, the UK SBS Ltd and the Funding Assurance Programme.

### STFC core programme and cross-Council programme

In 2012-13, the core and cross-Council audit programmes included the following key activities:

- Corporate Governance;
- Campus Developments;
- Business Critical Projects;
- The Large Facilities Funding Model;
- Information Security;
- IT Disaster Recovery;
- Health & Safety;
- The Efficiency Programme; and
- An IT audit needs assessment to inform IT audits going forward.

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 within the STFC for 2012-13 were operating effectively for the whole financial year. Of the 20 assurances provided through the core and cross-Council assurance work, 95% reflect substantial assurance.

### STFC/SBS shared assurance programme

In 2012-13, the shared assurance audit programme included quarterly transaction testing (Business Process Assurance) against an agreed suite of 74 tests across all key business processes. Results from the shared assurance programme work confirm that the controls operating across the end-to-end (E2E) processes continue to improve. 86% (12) of the processes examined in 2012-13 received substantial assurance, compared to 36% (5) in 2011-12. However, not all material improvements have been made to the system of internal control to ensure that system objectives are achieved. 14% (2) of the E2E processes received limited assurance: GPC and iExpenses; and Order to Cash. Across the client base non-compliance with the iExpenses process is high (21% of claims processed contained policy violations) and there are quality shortfalls in the master data that supports the Order to Cash process.

Within the Controls and Security Framework (CSF) 3 key areas relating to: Network Security; Master Data Maintenance; and E2E Process Governance continue to receive Limited Assurance. Delivery of outstanding actions extends beyond 31 March 2013. There are 5 high priority issues that remain open and constitute inherent risk exposure, these relate to:

1. Documentation to support, review and update Oracle Database security configuration settings;
2. Network maintenance and access controls;
3. The control framework for master data;
4. The management assurance framework; and
5. IT Governance and an IT Security Strategy.

Based on this work, the Director of AASG was able to provide limited assurance that the systems of internal control in place in these areas for 2012-13 were operating effectively for the whole financial year. In particular AASG highlights that the control framework for Master Data Maintenance has some identified risk exposures that are being addressed to reduce vulnerability. Issues highlighted by the fraud attempts referred to later in this statement, relate directly to weaknesses identified in recent internal audit reports on the controls and security framework operating within UK SBS Ltd. These weaknesses had been identified by internal audit reports in earlier years and measures to address them had been recommended previously by AASG. 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 STFC which I am not able to directly manage. I rely on the Accounting Officer of UK SBS to provide me with an appropriate annual assurance on these areas.

### RCUK Funding Assurance Programme

HEI 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.

## **UK SBS Ltd - The Client Service Group (CSG)**

CSG represents all seven Research Councils in their relationship with the SBS as clients. Since all RCs have migrated to the SBS (31 March 2011), the body responsible for co-ordinating the Councils' collective engagement with the SBS as clients has been the CSG. This role has been fulfilled alongside a range of assurance mechanisms established by BIS as part of the SBS stabilisation process and move toward on boarding new clients into the SBS. For example, a joint SBS/CSG assurance reporting framework was established to report to the BIS Assurance Board, set up to monitor the stability for the services provided by the SBS.

The CSG has taken responsibility for, inter alia, the negotiation of annual service charges and development funding; the development of business improvement activities in each of the main functional areas covered by SBS service delivery; and oversight of an end to end audit assurance programme. Formal approval of funding is however made by the Efficiency and Reform Group (ERG), advised by CSG.



Particular attention has been given to stabilisation over the past year. Going forward the governance arrangements will evolve as new clients come on board and discussions are in hand to formalise these arrangements. CSG continues to monitor progress in a range of key areas including:

- Post stabilisation, manual workarounds;
- Grants service provision;
- Fixed Assets and impact of professional revaluations and Modified Historic Cost Accounting (MHCA) calculations;
- Error count, accuracy, duplication, and timeliness of activities;
- Management Information for project managers; and
- Systems availability and security.

Looking ahead, a revised governance model will be rolled out as BIS and Partner Organisations begin to take service from the SBS and this will replace the current CSG structure during 2013-14. The Research Councils will participate within (and influence the shape of) this governance structure, but will need collectively to continue to:

- Assess the relevance of governance arrangements, charging models and CPI's to Research Council business needs; and
- Ensure mitigations are in place to minimise any disruptive service impacts resulting from expansion of the SBS customer base.

## Significant issues

As a consequence of the risk management and review processes described above I have concluded on an overall positive control environment. STFC has a relatively solid funding base from Government but we continue to face tough challenges and choices to deliver our Strategy and Delivery Plan. Nevertheless, I highlight the following significant issues that will require close attention going forward:

- Financial management – as we enter the third year of the 2010 spending review settlement, with a flat cash resource budget based on 2010 levels, the financial pressures on the organisation are becoming tighter. It is imperative that we continue to monitor closely our financial performance and underlying decision making, taking into account affordability along with our priorities and the need to meet our delivery plan commitments. These pressures are felt across the organisation but are most acute in the large facilities area. We continue to work with our partners in the other Research Councils and elsewhere to critically appraise all financial requests in order to maintain a sustainable level of provision in our key facilities in line with the needs of our community;
- Austerity and regularity demands - our budget continues to lose purchasing power and is further constrained by unanticipated additional demands (e.g. electricity prices running far ahead of consumer inflation; new costs like the Carbon Reduction Commitment (CRC) charge; and new initiatives such as Open Access publishing costs. These pressures are felt across the organisation but are further exacerbated by increased demand for reporting and scrutiny which in themselves reflect an increasing demand on our resources. Our financial management reporting framework will continue to monitor the impact of all pressures on our spending and inform decisions as and when material impacts occur;
- Campus developments – the economic climate continues to impact our exploitation of our two campuses. We are in the process of reviewing our approach and will realign our strategies as the business environment dictates;
- Triennial Review - the coming year will see the completion of the current Triennial Review of the Research Councils and a Spending Review to determine budget levels for 2015-16. Both of these reviews offer challenges and opportunities for STFC to make its case for our programme and the importance of what we do. Action in hand to co-ordinate our approach is led by an Executive Director supported by key groups and staff; and
- Restructuring - we have delivered a significant organisational transformation: we have reshaped our senior management, embedded the new Executive Board and Operations Board, established a new structure of directorates, reviewed their structure and embarked on a major review of our delivery of Corporate Services. The completion of the CSD review, the closure of, or passing on the operations of, the Island sites and continued integration of the national laboratories will require work. We are well placed to face the challenges ahead.

## Other specific assurance requirements

### Shared Business Services

During the year our emphasis has been placed on seeing SBS through to stabilisation. As part of this process BIS have taken an active role in establishing robust structures with cross Council representation to oversee progress and input from AASG. The purpose of this framework was to ensure that the control structures surrounding the end-to-end shared business processes are suitably designed and established (control design), and operating as intended (control effectiveness and fit for purpose).

During 2011-12 AASG carried out 20 audits covering SBS Service Delivery End-to-End Business Processes Audits (15 BPA audits) and the underlying Control and Security Framework (5 CSF audits). During 2012-13 AASG reviewed all outstanding recommendations seeking evidence of both implementation and effectiveness. All recommendations prioritised by the Research Councils and SBS 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.

Whilst stabilisation was formally signed off with a few caveats, issues remain around the Controls and Security Framework (CSF) as highlighted by AASG. I have written personally to the UKSBS CEO expressing my concern that AASG continue to identify significant risk exposures in key activities and whilst recognising work is ongoing, I have sought assurances on progress in resolving these deficiencies as a matter of urgency. We will continue to monitor and stress the importance of addressing the control issues.

### Regularity and Propriety

STFC is committed to establishing and applying appropriate standards of regularity and propriety, including applying appropriate cultures and behaviours and does not tolerate any form of fraud, bribery and/or corruption. It is important in this context that we guard against the perception of impropriety as well as the reality. We must be able to withstand both internal and external scrutiny. Key components include:

- Fraud Policy ;
- Conflicts of Interest ;
- Complaints Procedures; and
- Gifts and Hospitality.

I have been informed of potentially three instances of attempted fraud which had been identified, avoided and an independent investigation carried out. I have personally sought and received assurances that no losses have been incurred and that control weaknesses have been addressed.

Going forward, whilst taking into account the assurances I have been provided, the STFC Executive Board and Audit Committee will monitor closely the outcomes of internal audit work by the AASG to check that these improved control frameworks have been implemented and assess the evidence that they are adequate and effective.

In addition and in common with the other Research Councils and UKSBS, STFC is currently reviewing its approach to fraud and bribery. Mandatory counter-fraud awareness e-learning training will be rolled out in response to BIS/Cabinet Office initiatives. The fraud policy is undergoing a review, particularly in relation to bribery and corruption and an updated policy will be proposed in the near future. STFC operate a whistleblowing contact and a complaints procedure also exists through our web pages.

All staff are required to declare any potential conflicts of interest as and when they occur and any impact on their role is assessed by their line manager and appropriate controls put in place.

## Efficiency

The Government's Innovation and Research Strategy for Growth details a range of actions by which STFC as part of the RCUK, seek to enhance the impact that is obtained from the UK's investment in research. Within this framework RCUK are seeking to maximise the return for the UK's investment through driving efficiency in the following areas:

- University research running costs (Grants);
- Research Council Institutes and Facilities (RCIFs);
- Asset Utilisation;
- International Subscriptions; and
- Research Council administration.

In the first two areas detailed above, Grants and RCIFs, specific efficiency targets have been set. In the remaining three areas, RCUK demonstrate the efforts made, although no specific targets have been set. RCUK have also been set targets to deliver efficiency savings through the UK SBS Ltd.

## Information Assurance/Data Security

STFC continues to implement the Security Policy Framework (SPF) as mandated by BIS. To date there have been no serious lapses of data security. There have been a number of near misses where existing controls ensured no significant data losses have occurred. Each year STFC has improved its SPF score; these improvements are independently audited and verified by the AASG through the annual Security Risk Management Overview (SRMO) process.

## Transparency

STFC is committed to transparency and openness in its dealings with the research community, the general public and our other stakeholders. In formulating our scientific strategy, we work closely with the academic community to inform our priorities. We publish details of our funded grant portfolio, and other financial matters as part of our commitment to the Freedom of Information.

STFC is actively participating in the Gateway to Research Project (GtR), as a member of the Project Board for the first phase, and through the provision of business analyst effort to the project. The live GtR beta system holds all the STFC grant portfolio information and we continue to work with the project team to expand the dataset to include impact evidence.

## Tax Compliance

The Alexander Review of non-payroll appointments recommended a three pronged 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.

STFC has taken appropriate steps to implement the recommendations of the Alexander Review. STFC's arrangements in respect of this small but important workforce group (typically some 1% of its workforce) are compliant with the recommendations of the Alexander Review but some work still needs to be done during 2013-14 to convert a small number of specialist contracts. STFC will continue to benchmark its approach with guidance issued by BIS in February 2013.

## Managing the Risk of Financial Loss

The Managing the Risk of Financial Loss (MRoFL) initiative was introduced by BIS/HMT during 2011-12 and applied to all transaction processing systems that result in payments or receipts. It covered six core financial systems:

- Procurement;
- Payroll;
- Expenses;
- Funding;
- Grants; and
- Taxation receipts (relates to commercial income in the Research Councils context).

A cross-Research Council project concluded on a satisfactory rating, 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. Further action is in hand to better clarify the approvals management required to process transactions/actions submitted to the SBS.

## Partner Organisations

The Science and Technology Facilities Council works closely with a number of organisations, both nationally and internationally. These partner organisations may reflect collaborative activities, subsidiaries, joint ventures or major outsourced service provision, they include:

- Harwell Oxford (HO);
- Sci-Tech Daresbury;
- CERN;
- Diamond Light Source Ltd (DLSL);
- European Southern Observatory (ESO);
- European Space Agency (ESA);
- European Synchrotron Radiation Facility (ESRF);
- Institut Laue-Langevin (ILL);
- Technology Strategy Board (TSB);
- UK Shared Business Services Ltd (UK SBS Ltd);
- Research Councils UK (RCUK); and
- UK Space Agency (UK SA).

In a number of these relationships STFC represents the UK in international partnerships to provide access to facilities, to plan future facilities strategy, to regulate international collaboration, or to foster international collaboration in strategic areas of research. This is done through active participation as the UK Delegation to these organisations. We are members of the relevant governing bodies to ensure effective governance and oversight to ensure these international and UK facilities are operated as cost-effectively as possible, and that the UK has access to world-leading instruments and gets the best scientific return for its investment.

## 'Compliance and responsibility' relating to 'Austerity Measures'

A specific request was made by BIS for the review and sign off by the Finance Director (FD) of monthly data sets of accounts payable transactions. This was to ensure responsibility for the decisions made in the organisation and that robust processes are in place and are reviewed. As a result STFC has reviewed its control framework consistent with the principles of accountability.

STFC establishes accountability through individual delegation letters to each director which emphasises their responsibility for sound financial management. This is reinforced through the accountabilities we set out through the Finance Director's delegation letter which establishes enhanced accountability of the FD on all things financial.

Authority is further defined through our delegation framework and supplemented by a 'Special Measures' process. These are communicated through our intranet pages. Processes have been established to fulfil these responsibilities through improved budgetary control and financial monitoring. End-to-End process audits have assessed the adequacy of these controls whether exercised within the Council or UK SBS Ltd. No major concerns have been highlighted.

## Conclusion

This Governance Statement represents the end product of the review of the effectiveness of the governance framework, risk management and internal control. I have considered the evidence provided with regards to the production of the Annual Governance Statement.

Whilst I reiterate that we have major challenges ahead, we go forward with a strong foundation. We have delivered and helped deliver major successes in our programme over the past year: e.g. the discovery of the Higgs boson at CERN. We have secured significant additional capital investments in our campuses and facilities demonstrating confidence in our plans and the important part they play in contributing to the economy. The Government remains strong in expressing its support for science and innovation as drivers of economic recovery and both David Willetts and George Osborne have made highly visible visits to STFC's laboratories in the past few months.

This review is sufficient to enable me to be satisfied that the design and operation of systems of risk management, control and governance are appropriate to the STFC and its risk profile. Nevertheless, we continue to press for improvement from within STFC and from our key partners, particularly in the areas highlighted in this statement. With the enthusiasm and commitment of our staff, research communities and partners, and our shared belief in the importance of what we do, we will face these challenges with determination and confidence.

Signed:



John Womersley  
Accounting Officer

Date: 28th June 2013

# The Certificate of the Comptroller and Auditor General to the Houses of Parliament

I certify I have audited the financial statements of the Science and Technology Facilities Council for the year ended 31 March 2013 under the Science and Technology Act 1965. The financial statements comprise: the Group and Parent 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 Board, Accounting Officer and auditor

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

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the accounting estimates made by Science and Technology Facilities Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Science Facilities Council's circumstances; 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 group's and of Science and Technology Facilities Council's affairs as at 31 March 2013 and of the group's and the parent's net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Science and Technology Act 1965 and Secretary of State directions issued thereunder.

## Opinion on other matters

In my opinion:

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

## Matters on which I report by exception

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

- adequate accounting records have not been kept or 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

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

Date: 2nd July 2013

## Consolidated Statement of Comprehensive Net Expenditure

For the year ended 31 March 2013

	Note	STFC 2013 £'000	Consolidated 2013 £'000	Consolidated 2012 £'000
<b>Expenditure</b>				
Staff costs	4	83,058	83,058	81,634
Restructuring	5	1,561	1,561	6,189
Research grants	6	79,015	79,015	98,712
Other grants and awards	7	42,586	42,586	42,927
International subscriptions	8	142,004	142,004	154,818
Equipment and supplies		29,421	29,421	26,355
Services		33,278	33,278	29,833
Intangible amortisation	12	64	64	224
Intangible impairments	12	-	-	35
Depreciation	13	60,143	60,143	46,283
Property, plant and equipment impairments	13	(10,961)	(10,961)	13,797
Joint venture funding	14	35,150	35,150	35,574
Other expenditure	9	26,851	26,851	33,516
<b>Total expenditure</b>		<b>522,170</b>	<b>522,170</b>	<b>569,897</b>
<b>Income</b>				
Income from operating activities	10	62,834	62,834	65,134
<b>Total income</b>		<b>62,834</b>	<b>62,834</b>	<b>65,134</b>
<b>Net operating expenditure</b>		<b>(459,336)</b>	<b>(459,336)</b>	<b>(504,763)</b>
Interest	11	325	325	200
Unwinding of discount on provisions	21	(458)	(458)	(625)
Share of post-tax losses of joint ventures	14	-	(27,071)	(24,443)
Loss on disposal of tangible assets		(176)	(176)	(211)
Loss on disposal of investment	14d	(4,883)	-	-
Profit on acquisition	14g	-	-	10,487
<b>Net expenditure for the year</b>		<b>(464,528)</b>	<b>(486,716)</b>	<b>(519,355)</b>
<b>Other comprehensive expenditure</b>				
Net (gain) on revaluation of property plant and equipment	13	(23,696)	(23,696)	(31,492)
Net loss/(gain) on revaluation of intangible assets	12	135	135	(195)
Net (gain)/loss on revaluation of investments	14	-	(33,740)	1,459
Net movement on cash flow hedges		7,664	7,664	5,359
<b>Total comprehensive net expenditure for the year ended 31 March 2013</b>		<b>(480,425)</b>	<b>(536,353)</b>	<b>(544,224)</b>

All activities are continuing.

The notes on pages 55 to 93 form part of these Financial Statements



## Consolidated Statement of Financial Position

As at 31 March 2013

	Note	2013 £'000	2012 £'000
<b>Non-current assets</b>			
Intangible assets	12	500	555
Property, plant and equipment	13	667,266	655,648
Interests in joint ventures	14	371,452	343,833
Trade and other receivables	15	5,817	6,667
Other financial assets	16	9,701	9,701
Derivative financial instruments	17	375	4,721
<b>Total non-current assets</b>		<b>1,055,111</b>	<b>1,021,125</b>
<b>Current assets</b>			
Trade and other receivables	15	50,242	55,565
Derivative financial instruments	17	2,048	5,367
Cash and cash equivalents	18	1,067	8,122
<b>Total current assets</b>		<b>53,357</b>	<b>69,054</b>
Assets classified as held for sale	19	273	-
<b>Total assets</b>		<b>1,108,741</b>	<b>1,090,179</b>
<b>Current liabilities</b>			
Trade and other payables	20	(63,466)	(108,125)
<b>Total current liabilities</b>		<b>(63,466)</b>	<b>(108,125)</b>
<b>Non-current assets less net current liabilities</b>		<b>1,045,275</b>	<b>982,054</b>
<b>Non-current liabilities</b>			
Trade and other payables	20	(13,014)	(14,342)
Provisions	21	(35,335)	(41,433)
<b>Total non-current liabilities</b>		<b>(48,349)</b>	<b>(55,775)</b>
<b>Assets less liabilities</b>		<b>996,926</b>	<b>926,279</b>
<b>Reserves</b>			
Income and expenditure reserve		770,752	747,583
Revaluation reserve		226,174	178,696
<b>Government funds</b>		<b>996,926</b>	<b>926,279</b>

John Womersley  
Accounting Officer

Date: 28th June 2013

The notes on pages 55 to 93 form part of these Financial Statements.

## STFC Statement of Financial Position

As at 31 March 2013

	Note	2013 £'000	2012 £'000
<b>Non-current assets</b>			
Intangible assets	12	500	555
Property, plant and equipment	13	667,266	655,648
Interests in joint ventures	14	427,443	411,376
Trade and other receivables	15	5,817	6,667
Other financial assets	16	9,701	9,701
Derivative financial instruments	17	375	4,721
<b>Total non-current assets</b>		<b>1,111,102</b>	<b>1,088,668</b>
<b>Current assets</b>			
Trade and other receivables	15	50,242	55,565
Derivative financial instruments	17	2,048	5,367
Cash and cash equivalents	18	1,067	8,122
<b>Total current assets</b>		<b>53,357</b>	<b>69,054</b>
Assets classified as held for sale	19	273	-
<b>Total assets</b>		<b>1,164,732</b>	<b>1,157,722</b>
<b>Current liabilities</b>			
Trade and other payables	20	(63,466)	(108,125)
<b>Total current liabilities</b>		<b>(63,466)</b>	<b>(108,125)</b>
<b>Non-current assets less net current liabilities</b>		<b>1,101,266</b>	<b>1,049,597</b>
<b>Non-current liabilities</b>			
Trade and other payables	20	(13,014)	(14,342)
Provisions	21	(35,335)	(41,433)
<b>Total non-current liabilities</b>		<b>(48,349)</b>	<b>(55,775)</b>
<b>Assets less liabilities</b>		<b>1,052,917</b>	<b>993,822</b>
<b>Reserves</b>			
Income and expenditure reserve		885,894	840,537
Revaluation reserve		167,023	153,285
<b>Government funds</b>		<b>1,052,917</b>	<b>993,822</b>

John Womersley  
Accounting Officer

Date: 28th June 2013

The notes on pages 55 to 93 form part of these Financial Statements.

## Consolidated Statement of Cash Flows

For the year ended 31 March 2013

	Note	2013 £'000	2012 £'000
<b>Cash flows from operating activities</b>			
Net expenditure for year		(486,716)	(519,355)
Interest	11	(325)	(200)
Amortisation	12	64	224
Impairment of intangibles	12	-	35
Depreciation	13	60,143	46,283
Loss on disposal of plant, property and equipment		176	211
Impairment of property, plant and equipment	13	(10,961)	13,797
Share of joint venture losses	14	27,071	24,443
Decrease/(Increase) in trade and other receivables	15	6,173	(13,175)
Movements in receivables not related to operating activity	14g	-	190
(Decrease)/Increase in trade and other payables	20	(45,987)	41,749
Movements in payables not related to operating activity		161	(220)
Utilisation of provision	21	-	(8,249)
Decrease in provisions	21	(6,556)	(100)
Unwinding of discount on provisions	21	458	625
Machinery of government change creditor		-	(1,634)
Profit on acquisition of property plant and equipment	14g	-	(10,487)
<b>Net cash outflow from operating activities</b>		<u>(456,299)</u>	<u>(425,863)</u>
<b>Returns on investment and servicing of finance</b>			
Interest	11	<u>325</u>	<u>200</u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(37,902)	(82,025)
Purchase of intangibles	12	(143)	(118)
Proceeds of disposal of property, plant and equipment		15	21
Investment additions		(28,806)	(29,882)
Proceeds from sale of investment in UK SBS	14d	7,855	-
Other financial asset additions		-	(238)
<b>Net cash outflow from investing activities</b>		<u>(58,981)</u>	<u>(112,242)</u>
<b>Cash flows from financing activities</b>			
Grant in aid		507,900	536,000
<b>Net cash inflow from financing activities</b>		<u>507,900</u>	<u>536,000</u>
Net decrease in cash and cash equivalents in the period	18	<u>(7,055)</u>	<u>(1,905)</u>
<b>Cash and cash equivalents at the beginning of the period</b>	18	8,122	10,027
<b>Cash and cash equivalents at the end of the period</b>	18	<u><u>1,067</u></u>	<u><u>8,122</u></u>

In accordance with IAS 7: Statement of cash flows, cash flows between STFC and joint ventures are included under the appropriate heading but other joint venture cash flows are excluded.

The notes on pages 55 to 93 form part of these Financial Statements.

## STFC Statement of Cash Flows

For the year ended 31 March 2013

	Note	2013 £'000	2012 £'000
<b>Cash flows from operating activities</b>			
Net expenditure for the year		(464,528)	(494,912)
Interest	11	(325)	(200)
Amortisation	12	64	224
Impairment of intangibles	12	-	35
Depreciation	13	60,143	46,283
Loss on disposal of property, plant and equipment		176	211
Loss on disposal of investments	14	4,883	-
Impairment of property, plant and equipment	13	(10,961)	13,797
(Decrease)/(Increase) in trade and other receivables	15	6,173	(13,175)
Movements in receivables not relating to operating activity	14g	-	190
(Decrease)/Increase in trade and other payables	20	(45,987)	41,749
Movements in payables not relating to operating activity		161	(220)
Utilisation of provision	21	-	(8,249)
Decrease in provisions	21	(6,556)	(100)
Unwinding of discount on provisions	21	458	625
Machinery of government change creditor		-	(1,634)
Profit on acquisition of property plant and equipment	14g	-	(10,487)
<b>Net cash outflow from operating activities</b>		<b>(456,299)</b>	<b>(425,863)</b>
<b>Returns on investment and servicing of finance</b>			
Interest	11	325	200
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment		(37,902)	(82,025)
Purchase of intangibles	12	(143)	(118)
Proceeds of disposal of property, plant and equipment		15	21
Investment additions		(28,806)	(29,882)
Proceeds from sale of investment in UK SBS	14d	7,855	-
Other financial asset additions		-	(238)
<b>Net cash outflow from investing activities</b>		<b>(58,981)</b>	<b>(112,242)</b>
<b>Cash flows from financing activities</b>			
Grant in aid		507,900	536,000
<b>Net cash inflow from financing activities</b>		<b>507,900</b>	<b>536,000</b>
Net decrease in cash and cash equivalents in the period	18	(7,055)	(1,905)
<b>Cash and cash equivalents at the beginning of the period</b>	18	<b>8,122</b>	<b>10,027</b>
<b>Cash and cash equivalents at the end of the period</b>	<b>18</b>	<b>1,067</b>	<b>8,122</b>

In accordance with IAS 7: Statement of cash flows, cash flows between STFC and joint ventures are included under the appropriate heading but other joint venture cash flows are excluded.

The notes on pages 55 to 93 form part of these Financial Statements.

## Statement of Changes in Taxpayers' Equity

For the year ended 31 March 2013

	STFC £'000	Consolidated £'000
Income and expenditure reserve		
<b>Changes in reserves 2011 - 12</b>		
Balance at 31 March 2011	796,515	728,004
Transfer from revaluation reserve	16,557	16,557
Cash flow hedge	(5,359)	(5,359)
Machinery of Government Change creditor	(1,634)	(1,634)
Assets transferred to the International Space Innovation Centre (ISIC)	(6,630)	(6,630)
Net expenditure for the year	(494,912)	(519,355)
<b>Total recognised income and expense for 2011-12</b>	<b>(491,978)</b>	<b>(516,421)</b>
Grant in aid financing	536,000	536,000
<b>Balance at 31 March 2012</b>	<b>840,537</b>	<b>747,583</b>
<b>Changes in reserves 2012 - 13</b>		
Transfer from revaluation reserve	9,823	9,823
Other movements*	(174)	(174)
Cash flow hedge	(7,664)	(7,664)
Net expenditure for the year	(464,528)	(486,716)
<b>Total recognised income and expense for 2012-13</b>	<b>(462,543)</b>	<b>(484,731)</b>
Grant in aid financing	507,900	507,900
<b>Balance at 31 March 2013</b>	<b>885,894</b>	<b>770,752</b>
	STFC £'000	Consolidated £'000
Revaluation reserve		
Balance at 31 March 2011	138,155	165,025
<b>Changes in reserves 2011-12</b>		
Net gain on revaluation of property, plant and equipment	31,492	31,492
Net gain on revaluation of intangibles	195	195
Net loss on revaluation of investments	-	(1,459)
Transfer to income and expenditure reserve	(16,557)	(16,557)
<b>Total recognised income and expense for 2011-12</b>	<b>15,130</b>	<b>13,671</b>
<b>Balance at 31 March 2012</b>	<b>153,285</b>	<b>178,696</b>

**Changes in reserves 2012-13**

Net gain on revaluation of property, plant and equipment	23,696	23,696
Net loss on revaluation of intangibles	(135)	(135)
Net gain on revaluation of investments	-	33,740
Transfer to income and expenditure reserve	(9,823)	(9,823)
<b>Total recognised income and expense for 2012-13</b>	<b>13,738</b>	<b>47,478</b>
<b>Balance at 31 March 2013</b>	<b>167,023</b>	<b>226,174</b>

**Total Government Funds at 31 March 2012****993,822**      **926,279****Total Government Funds at 31 March 2013****1,052,917**      **996,926**

The notes on pages 55 to 93 form part of these Financial Statements.

- Other movements relate to asset adjustments as a result of the loading of the professional revaluation data onto the Oracle platform.

# Notes to the Financial Statements

## 1. Accounting policies

The principal accounting policies applied in the preparation of these Financial Statements are set out below. These policies have been applied consistently to all the years presented unless otherwise stated.

### 1.1 Basis of accounting

The Financial Statements have been prepared in accordance with a Direction issued by the Secretary of State for Business, Innovation and Skills (BIS) in pursuance of Section 2(2) of the Science and Technology Act 1965.

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

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

#### Changes to Accounting Policies and Estimates effective in 2012-13

The following changes to accounting policies and estimates have been applied by the Council from 1 April 2012:

- **Change in property, plant and equipment (PPE) threshold** – at the start of the reporting period the property, plant and equipment (PPE) threshold increased from £3,000 to £10,000. This has been treated as a change in accounting estimation in line with IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors.

### 1.2 Consolidation

STFC's wholly owned subsidiary undertaking, STFC Innovations Limited (SIL), is consolidated in accordance with IAS 27 to form the STFC Group. There is no material difference between STFC and the STFC Group. On this basis the STFC Financial Statements as reported are the consolidation of the STFC parent and SIL. SIL results are shown in Note 14a.

The STFC parent holds the investment in joint ventures at cost.

The Consolidated Financial Statements are the STFC Financial Statements, as above, consolidated with the value of the investment in joint ventures being carried at cost plus post-acquisition changes in STFC's share of net assets of the joint venture in accordance with the equity method of accounting.

Where there is no difference between the STFC and Consolidated position in the comparative Statement of Financial Position notes only the Consolidated position is shown.

### 1.3 Accounting estimates and judgements

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

On an on-going basis, management evaluates its estimates and judgements including those relating to property, plant and equipment and provisions.

Management bases its estimates and judgements on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying

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

The estimates and judgements that have a significant risk of causing material adjustments to the carrying amounts of assets and liabilities within the next financial year are:

- valuation of property, plant and equipment. Property, plant and equipment are revalued every five years and are revised in the intervening years by use of appropriate indices. To reduce the risk of material misstatement, the indices used are those recommended by professional valuers. The last professional valuation took place in January 2013.
- calculation of the decommissioning costs for ING, JAC, DL (Daresbury Laboratory) and RAL. The calculations are based on estimates of the current cost of the work to be undertaken, assumptions regarding inflation rates and VAT changes and the timing of the decommissioning. To reduce the risk of material misstatement the estimates and assumptions are reviewed annually. A professional valuation of the decommissioning costs was undertaken for ING and JAC in 2010-11 and RAL in 2012-13.
- calculation of the decommissioning provision for ILL. STFC's share (33%) of this provision is taken from the ILL Financial Statements. The provision for decommissioning was revalued in 2007 using the software recommended by the Commissariat à l'énergie atomique (CEA) and updated as at 31 December 2010 on the basis of the best estimates provided by ILL Management.

## 1.4 Investments

Unlisted investments are stated in accordance with the British Venture Capital Association guidelines for valuation of unlisted investments at amounts considered by the Council to be a fair assessment of their values. Details of the unlisted investments are shown in Note 14b.

Unlisted investments are stated at amounts considered by the directors to be a fair assessment of their value, subject to overriding requirements of prudence. All investments are valued according to one of the following bases:

- Cost (less any provision required)
- Third party valuation
- Earning multiple
- Net assets

Investments are normally valued at cost until the availability of the first set of audited accounts post completion of the investment. Provisions against cost however, will be made as soon as appropriate in the light of adverse circumstances – for example, where an investment performs significantly below expectations.

Gains and losses on realisation of fixed asset investments are taken through a realised reserve. Fixed asset investments are not held for immediate resale and any gains on realisation are not available for distribution as a dividend. The difference between the market value of fixed asset investments over the cost to the Council is shown as an unrealised gain or loss.

## 1.5 Investments in joint ventures and associates

An associate is an entity over which STFC has significant influence and that is neither a subsidiary nor an interest in a joint venture. A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

Interests in joint ventures and associates are accounted for under the equity method of accounting in accordance with the principles of IAS 27, IAS 28 and IAS 31.

Under the equity method, the investment in the joint venture or associate is carried in the Statement of Financial Position at cost plus post-acquisition changes in the STFC's share of net assets of the joint venture or associate. After application of the equity method, STFC determines whether it is necessary to recognise any additional impairment loss with respect to STFC's net investment in the joint venture or associate.

The joint ventures' and associates' accounting policies generally conform to those used by STFC for like transactions and events in similar circumstances and in those instances where they do not conform, material adjustments are made to the Financial Statements.

STFC holds the majority shareholding in the joint venture company Diamond Light Source Limited (DLSL). Under the terms of the joint venture agreement control is shared jointly with the minority shareholder, the Wellcome Trust. The results of DLSL are therefore accounted for as a joint venture consolidated with those of STFC.



STFC holds a one third shareholding in the joint venture company Institut Laue-Langevin (ILL). Under the terms of the joint venture agreement control is shared jointly with two other shareholders. The results of ILL are therefore accounted for as a joint venture consolidated with those of the STFC. ILL's reporting period is January to December.

STFC holds a 50% interest in the joint venture company Daresbury Science and Innovation Campus Public Sector Partnership (PubSP). Under the terms of the joint venture agreement control is shared jointly with Halton Borough Council. The results of DSIC PubSP are therefore accounted for as a joint venture consolidated with those of the STFC.

STFC holds a minority shareholding in the joint venture company Harwell Science and Innovation Campus Public Sector Partnership (PubSP). Under the terms of the joint venture agreement control is shared jointly with the majority shareholder the United Kingdom Atomic Energy Authority (UKAEA). The results of HSIC PubSP are therefore accounted for as a joint venture consolidated with those of STFC.

An adjustment has been made for a difference in accounting policy between STFC and DLSL; DLSL holds its assets at historic costs whereas STFC holds its assets at revalued cost. See Note 14c.

There are no other material difference in accounting policies between STFC and its Joint Ventures.

## 1.6 Property, plant and equipment (PPE)

Expenditure on PPE includes the purchase of land, buildings, plant and equipment costing £10,000 or more. Professional valuations are obtained at least every five years and are revised in the intervening years by use of appropriate indices.

The basis for valuation for land and buildings is open market value for existing use where this can be established. Where this basis is not applicable because of the specialised nature of the Council's assets, valuations are carried out on a depreciated replacement cost basis. Items of plant and equipment are included at current replacement cost.

Assets under construction are valued at cost, including directly attributable in-house costs required to bring the asset into working condition for its intended use.

## 1.7 Depreciation

Freehold land is not depreciated. Depreciation is charged on all other PPE at rates calculated to write down the valuation of each asset to its estimated residual value evenly over its expected useful life.

Useful lives are generally as follows:

Freehold buildings	60 years
Long leasehold properties	60 years or term of lease
Other leased assets, including dwellings	Term of lease
Plant and machinery	20 years
Scientific equipment	15 years
Electronic scientific equipment	10 years
Computers and information technology	5 years
Vehicles	4 years

Assets are depreciated as soon as they are available for use. Increased depreciation charges arising from revaluations are matched by transfers from the revaluation reserve to the income and expenditure reserve. On disposal of a revalued asset, the resulting element of the revaluation reserve that is realised is transferred directly to the income and expenditure reserve.

## 1.8 Ownership of equipment purchased with STFC research grants

Through the Conditions of Grant applied to funded institutions, the Council reserves the right to determine how equipment purchased by an institution with research grant funds is disposed of, and how any disposal proceeds are to be utilised during the period of the research. Once the research has been completed the institution is free to use such equipment without reference to the Council. Such equipment is excluded from these Financial Statements.

## 1.9 Intangible assets

Intangible assets consist of identifiable non-monetary assets without physical substance and include software either developed in-house or by third parties and licences to use applications developed by third parties costing £10,000 or more. Intangible assets are initially recognised at cost.

After initial recognition, an intangible asset is carried at a revalued amount, being its fair value at the date of revaluation less any subsequent accumulated amortisation and any subsequent accumulated impairment losses.

Intangible assets with a finite life are amortised on a straight line basis over their useful lives. The estimated useful lives are as follows:

Software and software licences      5 – 10 years

## 1.10 Asset impairment

A minimum of 30% of intangible assets, property, plant and equipment are reviewed at least annually, to ensure that assets are not carried above their recoverable amounts. Where some indication of impairment exists, detailed calculations are made of the discounted cash flows resulting from continued use of the assets (value in use) or from their disposal (fair value less costs to sell). Where these values are less than the carrying amount of the assets, an impairment loss is charged to the Statement of Comprehensive Net Expenditure (SCNE).

## 1.11 Cash and cash equivalents

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

## 1.12 Financial instruments

The Council classifies financial instruments, or their component parts, on initial recognition as a financial asset, a financial liability or an equity instrument in accordance with the substance of the contractual arrangement.

- a) Financial instruments are recognised in the Statement of Financial Position at fair value when the Council becomes a party to the contractual arrangement.
- b) Trade and other receivables are initially recognised and carried at original invoice amount. Subsequently, an estimate for doubtful debts is made when collection of the full amount is no longer probable and is offset against the original invoice amount. Bad debts are written off when identified.
- c) Trade and other payables are stated at their amortised cost. They are recognised on the trade date of the related transactions.
- d) Investments in equity instruments, for which no listed price or an active market exists and whose fair values cannot be reliably determined with justifiable expense, are measured at cost less impairment.

## 1.13 Derivative financial instruments

STFC applies IAS 39, under which hedge accounting is allowed when certain criteria are met. Under IAS 39, derivative financial instruments are always measured at fair value, with hedge accounting employed in respect of those derivatives fulfilling the stringent requirements for hedge accounting as prescribed under IAS 39.

STFC uses forward exchange contracts as cash flow hedges to manage its exposure to currency fluctuations on its future cash flows. For effective cash flow hedges, changes in the fair value of the hedge are recognised in equity, where they are recycled through the SCNE in the same period during which the hedged item impacts the SCNE.

## 1.14 Non-current assets classified as held for sale

Non-current assets held for sale are measured at the lower of carrying amount and fair value less costs to sell and are not depreciated.

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset

is available for immediate sale in its present condition, Management are committed to the sale and completion is expected within one year from the date of classification.

### 1.15 Decommissioning costs

Decommissioning costs are recognised in full as soon as the obligation exists i.e. when the technical facility has been commissioned. When the obligation incurred gives access to future economic benefits a corresponding asset is set up in the Statement of Financial Position at the same time with depreciation being charged to the SCNE over its useful life.

A specific provision is established to cover the current value of the expected future costs of decommissioning the asset. A notional interest charge is made on the provision which is charged to the SCNE over the estimated working life of the asset and credited to the provision.

### 1.16 Government grants receivable and other income

Grant in Aid provided by the Department for Business, Innovation and Skills for revenue and general capital purposes is credited to the income and expenditure 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 STFC recognises as expenses the related costs for which the grant is intended to compensate. See also Note 6.

Other operating income is shown net of trade discounts; value added tax and other taxes. Revenue is recognised when goods are delivered and title has passed, and services in the accounting period in which the service is rendered.

### 1.17 Research and development

As a research organisation the majority of the Council's expenditure on research and development does not meet the capitalisation criteria of IAS 38 and is therefore charged to the SCNE when incurred.

Research and development expenditure that can be directly attributed to bringing a specific asset into production is capitalised as part of that asset and depreciated over the life of the asset.

### 1.18 Contributions to international collaboration projects

Contributions to international collaboration projects, where the Council does not have ownership of technical facilities, have been charged to the SCNE in the period to which they relate.

### 1.19 Research grants

The majority of research grants and fellowships are paid by the Council on an instalment basis in accordance with an agreed payment profile. Where the profile indicates an unclaimed and/or unpaid amount exists at the Statement of Financial Position date, such sums are accrued in the Financial Statements. Future commitments at the Statement of Financial Position date are disclosed in the Financial Statements.

The majority of studentship payments are paid on an instalment basis in advance. Stipends are paid directly to the student on a quarterly basis and fee payments are made in two equal payments to the institutions.

### 1.20 Pensions

Contributions to the United Kingdom Atomic Energy Authority (UKAEA) Pension Scheme and the Research Councils Pension Scheme (RCPS) are charged to the SCNE in accordance with actuarial recommendations so as to spread the cost of the pensions over the employees' expected working lives.

Liabilities for the payment of future benefits are the responsibility of the UKAEA Pension Scheme and the Research Councils Pension Scheme and accordingly are not included in these Financial Statements.

Both the UKAEA and RCPS Pension Schemes are multi-employer schemes and the Council is unable to identify its share of the underlying assets and liabilities.

## 1.21 Early departure costs

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

## 1.22 Employee benefits

Salaries, wages and the cost of all employment related benefits, including the liability associated with untaken annual leave, are recognised in the period in which the service is received from employees.

## 1.23 Closure and restructuring costs

Where a constructive obligation is made to terminate or radically change one of the Council's operational facilities or to restructure, a provision is set up to cover the direct costs associated with closure or restructuring in accordance with IAS 37.

## 1.24 Value Added Tax

The Council is registered for VAT jointly with six other Research Councils and the Technology Strategy Board as part of a Cost Sharing Group (CSG). Expenditure is stated net of recoverable VAT. Irrecoverable VAT is charged to the most appropriate expenditure heading. Non-attributable VAT recovered through the Group arrangement is credited to the SCNE.

## 1.25 Foreign currency

Transactions denominated in foreign currency are translated at the rate of exchange ruling on the date of the transaction unless covered by a forward contract. Assets and liabilities denominated in foreign currency are translated at the rate of exchange ruling at the balance sheet date.

Transaction and translation gains and losses are credited or charged to the SCNE except where a hedging relationship is designated and where it qualifies for hedge accounting under IAS 39 Financial Instruments: Recognition and Measurement.

## 1.26 Insurance

As a public body, the Council does not generally insure. However, the Council has decided, with the agreement of BIS, that risks relating to certain commercial contracts entered into by the Council should be commercially insured. Insurance premiums are charged to the SCNE.

## 1.27 Operating leases

Operating lease rentals are charged to the SCNE on a straight line basis over the period of the lease. Operating lease income is recognised in income on a straight line basis over the period of the lease.

## 1.28 Administration and programme expenditure and income

The SCNE is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or programme follows the definition of administration costs as set out in the HM Treasury Consolidated Budgeting Guidance 2012-13. See Note 3.

## 1.29 Operating segments

The Council reports income and expenditure by segment, in accordance with IFRS 8: Operating Segments (See Note 2). An operating segment is a component of an entity:

- that engages in business activities from which it may earn revenues and incur expenditures (including revenues and expenses relating to transactions with other components of the same entity);
- whose operating results are regularly reviewed by the entities' "chief operating decision maker" to make decisions about resource allocation to the segments and to assess its performance, and for which discrete financial information is available.

## 2. Segmental consolidated statement of comprehensive net expenditure

Disclosure to net operating expenditure.

For the year to 31 March 2013

	Programmes £'000	National Laboratories £'000	Business & Innovation £'000	Corporate Services £'000	Finance £'000	SPC* £'000	Total £'000
<b>Expenditure</b>							
Staff costs	6,169	57,304	4,731	10,243	1,991	2,620	83,058
Restructuring	-	-	-	1,561	-	-	1,561
Research grants	79,015	-	-	-	-	-	79,015
Other grants and awards	42,586	-	-	-	-	-	42,586
International subscriptions	142,004	-	-	-	-	-	142,004
Equipment and supplies	1,619	26,068	2,946	(1,240)	(241)	269	29,421
Services	4,310	9,783	1,533	15,682	1,198	772	33,278
Depreciation	-	-	-	-	60,143	-	60,143
Amortisation	-	-	-	-	64	-	64
PPE impairments	-	-	-	-	(10,961)	-	(10,961)
Intangible impairments	-	-	-	-	-	-	-
Joint venture funding	35,150	-	-	-	-	-	35,150
Other expenditure	2,523	16,709	2,085	11,699	(6,416)	251	26,851
Total expenditure	313,376	109,864	11,295	37,945	45,778	3,912	522,170
<b>Income</b>							
Income from operating activities	6,826	46,539	2,505	6,897	57	10	62,834
Net operating expenditure	306,550	63,325	8,790	31,048	45,721	3,902	459,336

For the year to 31 March 2012 (restated)

	Programmes £'000	National Laboratories £'000	Business & Innovation £'000	Corporate Services £'000	Finance £'000	SPC* £'000	Total £'000
<b>Expenditure</b>							
Staff costs	5,559	56,598	4,057	10,918	1,735	2,767	81,634
Restructuring	-	-	-	6,189	-	-	6,189
Research grants	98,579	-	133	-	-	-	98,712
Other grants and awards	41,849	-	1,078	-	-	-	42,927
International subscriptions	154,818	-	-	-	-	-	154,818
Equipment and supplies	1,026	23,931	896	(51)	270	283	26,355
Services	4,058	8,740	1,578	14,461	223	773	29,833
Depreciation	-	-	-	-	46,283	-	46,283
Intangible Amortisation	-	-	-	-	224	-	224
PPE impairments	-	-	-	-	13,797	-	13,797
Intangible impairments	-	-	-	-	35	-	35
Joint venture funding	35,574	-	-	-	-	-	35,574
Other expenditure	2,604	16,784	1,145	11,610	1,052	321	33,516
Total expenditure	344,067	106,053	8,887	43,127	63,619	4,144	569,897
<b>Income</b>							
Income from operating activities	11,765	44,318	1,749	7,105	176	21	65,134
Net operating expenditure	332,302	61,735	7,138	36,022	63,443	4,123	504,763

\*SPC – Strategy, Performance and Communications.

Depreciation, amortisation and impairments are controlled and managed centrally within the Finance Directorate.

STFC's assets and liabilities are shared across all parts of the organisation. The assets and liabilities have not been split across segments as the management information is not collected or utilised by the business at this level.

## Summary of the segments:

### Programmes

This segment covers the STFC's science and technology strategy, science operations and planning (including the STFC's processes for peer review), world class research training programme, management of UK membership of and access to international facilities of CERN, ESO, ILL and ESRF, as well as STFC's programs in education, training and public engagement. It also covers the Isaac Newton group of Telescopes (ING) on La Palma, Canary Islands and the Joint Astronomy Centre (JAC), Hawaii.

### National Laboratories

This segment covers the management and operation of STFC's world class national laboratories located at the Rutherford Appleton Laboratory, the Daresbury Laboratory, the Chilbolton Observatory and the UK Astronomy Technology Centre plus the provision of access to world class experimental facilities and technologies. The laboratories are home to the science, facility and technology departments of Accelerator Science and Technology, Particle Physics and Space, Scientific Computing, Technology, ISIS and Central Laser Facility.

### Business and Innovation

This segment covers the delivery and development of the impact potential of STFC's expertise and facilities, through Business Development, Innovation and Campus Development, the protection and exploitation of the intellectual property arising from the work of the STFC laboratories through spin out companies and the effective transfer of knowledge between STFC, universities and other organisations.

### Corporate Services

This segment covers STFC's support and operational functions covering Corporate ICT infrastructure and support at Rutherford Appleton and Daresbury Laboratories, estates management, health, safety and environment, human resources and security. It also covers the Legal and Commercial services for the whole organisation.

### Finance

This segment covers STFC's overall budgeting and associated financial planning, financial management, financial support and financial accounting processes within the Council. It also covers key governance activities across the Council, including risk management.

### Strategy, Performance and Communications

This segment covers the delivery of STFC's national and international strategic agenda, stakeholder management, performance and impact reporting, international relations, effective internal and external communications which encompasses STFC's activities in marketing, public affairs, media relations, events management, corporate web services and corporate publication.

### 3. Analysis of consolidated net expenditure between administration and programme

For the year to 31 March 2013

	Administration £'000	Programme £'000	Consolidated £'000
<b>Expenditure</b>			
Staff costs	8,452	74,606	83,058
Restructuring	19	1,542	1,561
Research grants	-	79,015	79,015
Other grants and awards	-	42,586	42,586
International subscriptions	-	142,004	142,004
Equipment and supplies	120	29,301	29,421
Services	9,444	23,834	33,278
Intangible amortisation	-	64	64
Depreciation	-	60,143	60,143
PPE impairments	-	(10,961)	(10,961)
Joint venture funding	-	35,150	35,150
Other expenditure	1,219	25,632	26,851
<b>Total expenditure</b>	<b>19,254</b>	<b>502,916</b>	<b>522,170</b>
<b>Income</b>			
Income from operating activities	491	62,343	62,834
<b>Total income</b>	<b>491</b>	<b>62,343</b>	<b>62,834</b>
<b>Net operating expenditure</b>	<b>(18,763)</b>	<b>(440,573)</b>	<b>(459,336)</b>
Interest	-	325	325
Unwinding of discount on provisions	-	(458)	(458)
Share of post-tax losses of joint ventures	(1,960)	(25,111)	(27,071)
Loss on disposal of tangible assets	-	(176)	(176)
<b>Net expenditure for the year</b>	<b>(20,723)</b>	<b>(465,993)</b>	<b>(486,716)</b>

For the year to 31 March 2012

	Administration £'000	Programme £'000	Consolidated £'000
<b>Expenditure</b>			
Staff costs	8,383	73,251	81,634
Restructuring	-	6,189	6,189
Research grants	-	98,712	98,712
Other grants and awards	-	42,927	42,927
International subscriptions	-	154,818	154,818
Equipment and supplies	439	25,916	26,355
Services	8,185	21,648	29,833
Intangible amortisation	-	224	224
Intangible impairments	-	35	35
Depreciation	-	46,283	46,283
PPE impairments	-	13,797	13,797
Joint venture funding	-	35,574	35,574
Other expenditure	1,140	32,376	33,516
<b>Total expenditure</b>	<b>18,147</b>	<b>551,750</b>	<b>569,897</b>
<b>Income</b>			
Income from operating activities	331	64,803	65,134
<b>Total income</b>	<b>331</b>	<b>64,803</b>	<b>65,134</b>
<b>Net operating expenditure</b>	<b>(17,816)</b>	<b>(486,947)</b>	<b>(504,763)</b>
Interest	16	184	200
Unwinding of discount on provisions	-	(625)	(625)
Share of post-tax losses of joint ventures	(1,736)	(22,707)	(24,443)
Loss on disposal of tangible assets	-	(211)	(211)
Profit on acquisition	-	10,487	10,487
<b>Net expenditure for the year</b>	<b>(19,536)</b>	<b>(499,819)</b>	<b>(519,355)</b>

## 4. Staff numbers and related costs

(See also the Remuneration Report on pages 28 to 33)

Staff costs	STFC	Consolidated	Consolidated
	2013	2013	2012
	£'000	£'000	£'000
Salaries and wages	65,623	65,623	64,978
Social security costs	5,520	5,520	5,669
Superannuation	15,156	15,156	14,578
Seconded staff	188	188	115
Council and committee members	122	122	154
<b>Total payroll costs</b>	<b>86,609</b>	<b>86,609</b>	<b>85,494</b>
Capitalised pay costs	(3,551)	(3,551)	(3,860)
<b>Staff costs charged to the Statement of Comprehensive Net Expenditure</b>	<b>83,058</b>	<b>83,058</b>	<b>81,634</b>

- Included in salaries and wages is an amount of £1,498,479 (2011-12 £409,663) in respect of agency staff;
- Included in salaries and wages is an amount of £1,779,089 (2011-12 £2,007,124) in respect of locally engaged staff overseas;
- Seconded staff related to personnel seconded into STFC and engaged on objectives of the entity. The costs are net of recoveries in respect of outward secondments; and
- The capitalised pay costs are accounted for in the group Statement of Financial Position as part of assets under construction (Note 13). Staff costs are capitalised based upon consideration of effort – the figure of £3.6m equates to 78.6 FTEs (2011-12: 83.4 FTEs).

### Superannuation

Most employees of the Council are members of either the Principal Non-Industrial Superannuation Scheme of the United Kingdom Atomic Energy Authority (the PNISS) or the Research Councils' Pension Scheme (the RCPS).

The PNISS is a notionally funded, contributory, defined benefit scheme which is closed to new entrants. Employees who are members of the PNISS make pensions contribution at the rate of 8.78% of pensionable pay. The Council makes employer's contributions at a rate determined from time to time after actuarial assessment of assets and liabilities. In 2012-13 the employer's contribution rate was 15.8% of pensionable pay. The employer contribution for 2012-13 was £281,445 (2011-12: £335,285).

A separate PNISS Scheme account is produced by the United Kingdom Atomic Energy Authority that recognises the scheme liability in accordance with IAS 19 as interpreted by the FReM for use in the public sector.

The RCPS is in all respects 'by-analogy' with the Principal Civil Service Pension Scheme (PCSPS), except that the employer's contribution is determined separately. The scheme provides retirement and related benefits based on final or career average emoluments. Redundancy and injury benefits are administered and funded by the Council. The scheme is administered by the Research Councils' Joint Superannuation Service with the associated grant-in-aid managed by BBSRC.

Employees may be in one of four defined benefit scheme arrangements; either a 'final salary' scheme (classic, classic plus or premium); or a career average scheme (nuvos). Pensions payable are increased annually in line with changes in the Consumer Prices Index (CPI). The employer contribution rate is agreed by the RCPS Board of Management on the recommendation of the Government Actuary's Department (GAD) and is set at 26.0% of pensionable pay. The employer contribution for 2012-13 was £14,821,700 (2011-12: £14,777,231).



Until 2012 employee contribution rates varied between 1.5% and 3.5% depending on scheme. However, in line with changes to the PCSPS, employee contribution rates were increased on 1 April 2012 and again on 1 April 2013, with the new rates being as follows:

Annual pensionable earnings (full-time equivalent basis)	1 April 2013 Classic Scheme contribution %	1 April 2013 Classic Plus, Premium & NUVOS Scheme contribution %
Up to £15,000	1.5	3.5
£15,001 - £21,000	2.7	4.7
£21,001 - £30,000	3.88	5.88
£30,001 - £50,000	4.67	6.67
£50,001 - £60,000	5.46	7.46
Over £60,000	6.25	8.25

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% of pensionable pay to cover death in service and ill health benefits. The employers pay an age-related contribution to the employee's private pension provider. The employer contribution for 2012-13 was £52,658 (2011-12: £43,405).

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

Formal actuarial valuations are used to determine employer contribution rates for the RCPS. 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 further details about the Research Councils Pension Scheme, pension arrangements can be found at the website <http://jsspensions.nerc.ac.uk/>

## Staff numbers

The Council counts the number of staff in post to include all permanent, fixed term and temporary staff of all types who are paid as employees through the payroll. On this basis the average number of full-time equivalent persons (including senior management) employed during the year was 1,675 (2011-12: 1,668). The current year figure includes 39 (2011-12: 38) locally engaged staff overseas.

There is also a number of temporary staff that are charged to the payroll including students, Council and Audit Committee members and a number of inward secondments for which STFC reimburses the home organisation. The average number of full-time equivalent persons in this category for the year was 45 (2011-12: 37).

The average number of agency staff (full-time equivalents) employed during the year was 27 (2011-12: 9).

## Reporting of Civil Service and other compensation schemes – exit packages

Exit package cost band	Number of compulsory redundancies		Number of departures agreed		Total number of exit packages by cost band	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
<£10,000	-	-	3	5	3	5
£10,000 - £25,000	5	4	8	31	13	35
£25,000 - £50,000	3	5	10	20	13	25
£50,000 - £100,000	-	4	6	20	6	24
£100,000 - £150,000	-	-	1	4	1	4
£150,000 - £200,000	-	-	1	2	1	2
<b>Total number of exit packages</b>	<b>8</b>	<b>13</b>	<b>29</b>	<b>82</b>	<b>37</b>	<b>95</b>
<b>Total resource cost/ £</b>	<b>£187,342</b>	<b>£515,134</b>	<b>£1,196,528</b>	<b>£3,609,355</b>	<b>£1,383,870</b>	<b>£4,124,489</b>

Redundancy and other departure costs have been paid in accordance with either the provisions of the Research Councils' Compensation Scheme, which mirrors the terms of the Principal Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972; or, in relevant cases, with the terms of the (closed) UKAEA Principal Non-Industrial Superannuation Scheme, of which some STFC staff remain members. Exit costs are accounted for in full in the year of departure. Where STFC has agreed early retirements, the additional costs are met by STFC and are not a charge to the pension scheme. Ill-health retirement costs are met by the pension scheme and are not included in the table.

## 5. Restructuring costs

Restructuring costs in the year were £1,560,575 (2011-12: £6,188,886). This figure is comprised of in year exit packages as detailed in the table above less £813,841 accrued in 2011-12 and a £990,546 contribution to staff redundancy costs following the STFC's decision to withdraw from the Joint Astronomy Centre, Hawaii in 2014-15 (see also Note 21).

## 6. Research grants

	STFC	Consolidated	Consolidated
	2013	2013	2012
	£'000	£'000	£'000
Astronomy	33,074	33,074	38,831
Particle Physics	32,436	32,436	39,731
E-Science	6,790	6,790	11,229
Nuclear Physics	3,701	3,701	6,897
External Innovations*	2,198	2,198	1,942
Neutron & Light Sources	816	816	82
	<b>79,015</b>	<b>79,015</b>	<b>98,712</b>

All research grants are paid to private sector recipients.  
\*Previously Industrial Programme Support Scheme (PIPSS)

## 7. Other grants and awards

	STFC	Consolidated	Consolidated
	2013	2013	2012
	£'000	£'000	£'000
Postgraduate Training Awards, Fellowships	22,987	22,987	23,880
Research and Research Support	19,599	19,599	19,047
	<b>42,586</b>	<b>42,586</b>	<b>42,927</b>

All other grants and awards are paid to private sector recipients.

## 8. International collaboration agreements

	STFC	Consolidated	Consolidated
	2013	2013	2012
	£'000	£'000	£'000
European Organisation for Nuclear Research (CERN)	98,003	98,003	102,175
European Southern Observatory (ESO)	16,916	16,916	27,872
Institut Laue-Langevin (ILL)	19,619	19,619	17,358
European Synchrotron Radiation Facility (ESRF)	7,422	7,422	7,292
European Science Foundation (ESF)	44	44	121
	<b>142,004</b>	<b>142,004</b>	<b>154,818</b>

- STFC negotiated a reduction in its contribution to ESRF from 14% to 10% for the period 1 January 2011 to 31 December 2013 with a compensating reduction in facility access.
- The ILL figure includes £3.3m additional contribution towards Fukushima and an amount of £0.735m of deferred subscriptions, as agreed with ILL from previous years.

- c. The Council's research objectives are shared with other major scientific nations and as such the Council collaborates with other nations in order to mitigate the high capital costs of facilities. Various agreements are in place to regulate annual contributions and the management of the various facilities. These include a period of notice of withdrawal from each arrangement. Of the most significant arrangements, CERN requires notice of 12 months after the end of the current calendar year. ESO requires a notice period of 12 months with effect from 1 July 2013.
- d. In the case of ESRF and ILL the UK has signed up to International Conventions which are periodically reviewed. The current ESRF Convention runs until the end of 2013 and has a notice period of three years. During 2012 ESRF entered discussions with potential new Member countries; discussions are currently on-going with Russia that would potentially see Russia becoming a new Member of the ESRF at the 6% level. A Protocol to the current Convention is under discussion which would cover the transfer of shares in ESRF between the current Members and Russia; under this Protocol the UK's shareholding is expected to reduce from 14% to 10.5%, backdated to 01 January 2013. For ILL the 4th protocol of the Intergovernmental Convention was signed at the end of 2002 and will remain in force until 31 December 2013. Thereafter it shall be tacitly extended from year to year unless any of the Governments gives written notification to the other Governments of its intention to withdraw from the Convention. Any such withdrawal will take effect upon the expiry of two years from the date of receipt of the notification by any of the other Governments or on such later date as may be specified in the notification. It should be noted that it is the current intention of the Associates to negotiate a 5th Protocol to the Convention to run from 01 Jan 2014 to 31 Dec 2023. Whilst the above collaborations are regulated by agreement, the political nature of the arrangements is such that any withdrawal would be on a negotiated basis at government level. The Council has no current intentions to withdraw from these arrangements and in all cases would wish to honour research commitments made.
- e. In the above arrangements, the facilities are not owned by the Council. Additionally, the Council collaborates with Dutch and Canadian partners in respect of the James Clerk Maxwell Telescope (JCMT), Hawaii, and with Dutch and Spanish partners in respect of the operation of telescopes on La Palma, Canary Islands. Contributions are received from the International partners towards the cost of running the facilities. The JCMT and La Palma telescopes are owned by the Council. STFC is working to secure new partners for all of these facilities, or failing this decommission them, and expects this action to be completed by end 2014.

## 9. Other expenditure

	STFC 2013 £'000	Consolidated 2013 £'000	Consolidated 2012 £'000
Travel, subsistence and allowances	7,607	7,607	8,754
Utilities	10,824	10,824	10,113
Rent, rates and maintenance	12,659	12,659	12,866
Administration expenses	2,745	2,745	728
Auditors remuneration*	140	140	184
Increase / (decrease) in bad debt provision	285	285	(323)
Insurance premiums	253	253	208
Exchange rate (gains) / losses	(288)	(288)	988
Decommissioning costs**	(7,374)	(7,374)	(2)
	<b>26,851</b>	<b>26,851</b>	<b>33,516</b>

\* Comprised of STFC audit fee of £140k (£148k relating to the 2012-13 audit, offset by an over accrual of £10k relating to the 2011-12 audit) and SIL audit fee of £2k.

\*\* Decommissioning costs of (£7,374k) relate to the £7,546k reduction in provision (see Note 21) and a £172k increase in the long term accrual

## 10. Income from operating activities

	STFC 2013 £'000	Consolidated 2013 £'000	Consolidated 2012 £'000
UK Research Councils	10,877	10,877	13,546
<b>Government organisations</b>			
Department for Business, Innovation and Skills	14	14	81
Other	8,399	8,399	5,745
	<b>8,413</b>	<b>8,413</b>	<b>5,826</b>
<b>External bodies</b>			
Higher Education Institutes	3,944	3,944	7,806
European Commission	4,166	4,166	2,959
Other overseas	19,741	19,741	20,614
Private sector	15,374	15,374	11,997
Domestic	319	319	2,386
	<b>43,544</b>	<b>43,544</b>	<b>45,762</b>
	<b>62,834</b>	<b>62,834</b>	<b>65,134</b>

- a. Operating income includes amounts received from the European Commission and other bodies for asset construction / repayment work and access to facilities. Facilities are offered to European Union users, commercial users and external users. Users are charged a unit cost based on direct operating costs and annual quantity of access with an allowance for overheads.
- b. STFC acts as a co-ordinator on European Union framework agreements. Funding that is received for redistribution to other partners is not recognised as income but treated as a liability on the Statement of Financial Position.
- c. The Council has complied with the charging requirements set out in HM Treasury and Office of Public Sector Information guidance, where they are appropriate. However, the information they hold is exempt from the requirements of "The Re-use of Public Sector Information Regulations 2005" as specified in paragraph 5 (3) of the regulations.

Income by purpose	UK 2013 £'000	Foreign 2013 £'000	Consolidated 2013 £'000	UK 2012 £'000	Foreign 2012 £'000	Consolidated 2012 £'000
Facilities access and development	28,203	18,256	46,459	27,267	17,051	44,318
Science programme and project work	2,674	4,231	6,905	4,345	7,420	11,765
Other services	8,052	1,418	9,470	8,660	391	9,051
Total operating income	<b>38,929</b>	<b>23,905</b>	<b>62,834</b>	<b>40,272</b>	<b>24,862</b>	<b>65,134</b>
Non-current assets	<b>1,017,216</b>	<b>37,896</b>	<b>1,055,112</b>	<b>985,863</b>	<b>35,262</b>	<b>1,021,125</b>

The Council receives substantial funding from the Science Budget through its sponsor department BIS (see Statement of Changes in Taxpayers' Equity for details). In addition, Science Budget funding accounts for a further £10.9m (2011-12: £13.6m) of the £62.8m Income from Operating Activities being income from the other UK Research Councils.

There are no major customers accounting for 10% or more of the remaining £51.9m. Revenue is allocated based on the country in which the customer is located.

## 11. Interest

	STFC 2013 £'000	Consolidated 2013 £'000	Consolidated 2012 £'000
Interest receivable	325	325	200
	<b>325</b>	<b>325</b>	<b>200</b>

Interest receivable is primarily related to the interest on long term loans (see Note 16).

## 12. Intangible assets

	Software £'000	Software licences £'000	STFC and Consolidated total* £'000
<b>Cost or valuation</b>			
At 1 April 2011	1,919	422	2,341
Additions	94	24	118
Reclassification	(3)	-	(3)
Disposals	(59)	(5)	(64)
Impairments	(34)	-	(34)
Revaluation	(21)	(12)	(33)
At 31 March 2012	<u>1,896</u>	<u>429</u>	<u>2,325</u>
Additions	101	42	143
Reclassification	1	-	1
Disposals	-	(24)	(24)
Impairments	-	-	-
Revaluation	46	11	57
<b>At 31 March 2013</b>	<b><u>2,044</u></b>	<b><u>458</u></b>	<b><u>2,502</u></b>
<b>Amortisation</b>			
At 1 April 2011	1,619	220	1,839
Charged in year	157	67	224
Disposals	(59)	(5)	(64)
Impairments	1	-	1
Reclassification	(2)	-	(2)
Revaluation	(211)	(17)	(228)
At 31 March 2012	<u>1,505</u>	<u>265</u>	<u>1,770</u>
Charged in year	5	59	64
Disposals	-	(24)	(24)
Impairments	-	-	-
Reclassification	-	-	-
Revaluation	178	14	192
<b>At 31 March 2013</b>	<b><u>1,688</u></b>	<b><u>314</u></b>	<b><u>2,002</u></b>
<b>Net book value</b>			
At 31 March 2012	<u>391</u>	<u>164</u>	<u>555</u>
<b>At 31 March 2013</b>	<b><u>356</u></b>	<b><u>144</u></b>	<b><u>500</u></b>

- Independent qualified professional valuations are obtained for all intangible assets every five years and are revised in the intervening years by use of appropriate indices.
- Intangible assets were professionally re-valued on a depreciated replacement cost basis as at 31 March 2012 by Hickman-Shearer in accordance with the RICS Appraisal and Valuation manual.

\*There is no difference in intangible assets between STFC and the consolidated position.

### 13. Property, plant and equipment

	Freehold land	Freehold buildings	Buildings on leased land	Plant and equipment	Assets under construction	STFC and Consolidated total*
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>						
At 1 April 2011	44,839	349,825	79,194	783,662	58,154	1,315,674
Additions	-	394	-	12,916	68,715	82,025
Reclassification	-	(2,605)	-	15,366	(12,785)	(24)
Disposals	-	(1,602)	-	(41,838)	-	(43,440)
Impairments	-	108	-	(939)	(5,033)	(5,864)
Transfers	-	-	-	(6,630)	-	(6,630)
Revaluations	1,004	6,379	1,980	(12,939)	-	(3,576)
<b>31 March 2012</b>	<b>45,843</b>	<b>352,499</b>	<b>81,174</b>	<b>749,598</b>	<b>109,051</b>	<b>1,338,165</b>
Additions	-	(1,487)	-	12,610	27,052	38,175
Reclassification	-	3,962	-	64,155	(68,390)	(273)
Disposals	-	(1,138)	-	(8,206)	-	(9,344)
Impairments	-	2,411	-	8,846	5,033	16,290
Revaluations	(9,326)	49,376	654	27,070	(1,887)	65,887
<b>31 March 2013</b>	<b>36,517</b>	<b>405,623</b>	<b>81,828</b>	<b>854,073</b>	<b>70,859</b>	<b>1,448,900</b>
<b>Depreciation</b>						
At 1 April 2011	-	125,539	78,343	502,719	-	706,601
Charged in year	-	8,960	822	36,501	-	46,283
Disposals	-	(1,602)	-	(41,606)	-	(43,208)
Impairments	-	18	-	7,915	-	7,933
Write offs	-	-	-	-	-	-
Reclassification	-	18	-	(42)	-	(24)
Revaluations	-	2,849	1,911	(39,828)	-	(35,068)
<b>At 31 March 2012</b>	<b>-</b>	<b>135,782</b>	<b>81,076</b>	<b>465,659</b>	<b>-</b>	<b>682,517</b>
Charged in year	-	11,256	-	48,887	-	60,143
Disposals	-	(399)	-	(8,147)	-	(8,546)
Impairments	-	-	-	5,329	-	5,329
Write offs	-	-	-	-	-	-
Reclassification	-	-	-	-	-	-
Revaluations	-	32,619	715	8,857	-	42,191
<b>31 March 2013</b>	<b>-</b>	<b>179,258</b>	<b>81,791</b>	<b>520,585</b>	<b>-</b>	<b>781,634</b>
<b>Net book value</b>						
At 31 March 2012	45,843	216,717	98	283,939	109,051	655,648
<b>At 31 March 2013</b>	<b>36,517</b>	<b>226,365</b>	<b>37</b>	<b>333,488</b>	<b>70,859</b>	<b>667,266</b>

\*There is no difference in property plant and equipment between STFC and the consolidated position.

- Reclassifications relate to reclassifications between property, plant and equipment categories. When capitalised, Assets Under Construction (AUC) are reclassified from AUC to the appropriate category of property, plant and equipment. The net reduction represents a transfer to Assets classified as held for resale (see Note 19).
- Included within the AUC in year additions are £14m on ISIS Target Station II – for the construction of four neutron instruments (CHIPIR, LARMOR, ZOOM and IMAT) and the necessary changes required to the Target Station to accommodate these new instruments. This project adds four instruments to the existing seven instruments located in Target Station II. A further £6m covered infrastructure additions and building upgrades.
- In accordance with IAS 37 decommissioning costs are recognised in full as soon as the obligation exists i.e. when the technical facility has been commissioned. When the obligation incurred gives rise to future economic benefits a corresponding asset in respect of the provision is set up in the Statement of Financial Position and depreciated over the useful life of the asset. The plant and machinery NBV as at 31 March 2013 includes £10.5m (2011-12: £11.0m) for the plant and machinery decommissioning assets.
- Tenancy agreements are in place with a number of tenants in STFC buildings at Daresbury and RAL. See Note 24.2.
- With the exception of Polaris House, independent qualified professional valuations are obtained for all property, plant and equipment every five years and are revised in the intervening years by the use of appropriate indices.

Polaris House is owned jointly by a number of the Research Councils and is professionally valued every four years and modified in the intervening years by the use of appropriate indices. The interest in the Polaris House property was valued on an open market value for existing use basis as at 31 March 2010 by Powis Hughes and Associates.

Land and buildings at RAL, covering 79% by value of STFC's land and buildings assets, were professionally valued by James Barr

Limited as at 31 March 2013. The building assets have been valued on a Depreciated Replacement Cost (DRC) basis due to the specialist nature of the assets. The land assets have been assessed to Fair Value but subject to an assumption of on-going use for operational purposes.

Land and building assets at the other STFC sites have been revalued using specific indices provided by James Barr Limited, either on a DRC or Existing Use Value (EUV) / Market Value (MV) basis.

A professional valuation was undertaken of all the plant and machinery assets in 2011-12 by Hickman Shearer Limited. The assets were valued at the Market Rate for use in the continuation of existing business. Where reliable market evidence existed the assets were valued based on direct market comparables. DRC was adopted where there was limited market evidence.

All valuations were performed in accordance with guidance notes issued by the Royal Institution of Chartered Surveyors.



## 14. Interests in joint ventures (JVs) and other investments

### Consolidated

	DLSL £'000	UK SBS £'000	ILL* £'000	HSIC £'000	DSIC £'000	Unlisted £'000	Total £'000
<b>Cost</b>							
At 1 April 2011	367,617	12,739	26,870	83	-	136	407,445
Additions	29,453	-	-	24	1,054	405	30,936
Revaluations	-	-	(1,459)	-	-	-	(1,459)
<b>At 31 March 2012</b>	<b>397,070</b>	<b>12,739</b>	<b>25,411</b>	<b>107</b>	<b>1,054</b>	<b>541</b>	<b>436,922</b>
Additions	27,788	-	-	1,018	-	-	28,806
Disposals	-	(12,739)	-	-	-	-	(12,739)
Revaluation **	28,295	-	5,445	-	-	-	33,740
<b>At 31 March 2013</b>	<b>453,153</b>	<b>-</b>	<b>30,856</b>	<b>1,125</b>	<b>1,054</b>	<b>541</b>	<b>486,729</b>

### Share of JV losses

At 1 April 2011	67,265	1,186	-	59	-	136	68,646
In year	22,664	1,736	-	43	-	-	24,443
<b>At 31 March 2012</b>	<b>89,929</b>	<b>2,922</b>	<b>-</b>	<b>102</b>	<b>-</b>	<b>136</b>	<b>93,089</b>
In year	25,110	1,961	-	-	-	-	27,071
Disposal	-	(4,883)	-	-	-	-	(4,883)
<b>At 31 March 2013</b>	<b>115,039</b>	<b>-</b>	<b>-</b>	<b>102</b>	<b>-</b>	<b>136</b>	<b>115,277</b>

### Net book value

At 31 March 2012	307,141	9,817	25,411	5	1,054	405	343,833
<b>At 31 March 2013</b>	<b>338,114</b>	<b>-</b>	<b>30,856</b>	<b>1,023</b>	<b>1,054</b>	<b>405</b>	<b>371,452</b>

### STFC

	DLSL £'000	UK SBS £'000	ILL £'000	HSIC £'000	DSIC £'000	Unlisted £'000	Total £'000
<b>Cost</b>							
At 1 April 2011	367,617	12,739	1	83	-	136	380,576
Additions	29,453	-	-	24	1,054	405	30,936
<b>At 31 March 2012</b>	<b>397,070</b>	<b>12,739</b>	<b>1</b>	<b>107</b>	<b>1,054</b>	<b>541</b>	<b>411,512</b>
Additions	27,788	-	-	1,018	-	-	28,806
Disposals	-	(12,739)	-	-	-	-	(12,739)
<b>At 31 March 2013</b>	<b>424,858</b>	<b>-</b>	<b>1</b>	<b>1,125</b>	<b>1,054</b>	<b>541</b>	<b>427,579</b>

### Impairment

At 31 March 2012	-	-	-	-	-	136	136
<b>At 31 March 2013</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>136</b>	<b>136</b>

### Net book value

At 31 March 2012	397,070	12,739	1	107	1,054	405	411,376
<b>At 31 March 2013</b>	<b>424,858</b>	<b>-</b>	<b>1</b>	<b>1,125</b>	<b>1,054</b>	<b>405</b>	<b>427,443</b>

\* The revaluation of ILL relates to an increase of the value of the joint venture in excess of the initial capital investment. This gain is held in the revaluation reserve and is not charged to the SCNE.

\*\* The revaluation figure for DLSL relates to an increase in the value of the investment to take account of a difference in accounting policy between STFC and DLSL. The gain on revaluation is held in the revaluation reserve and is not charged to the SCNE. See Note 1.5.

**a. STFC Innovations Limited (SIL) (registered in England, registration number 4361684)**

On 4 April 2002, the Council established its own wholly owned subsidiary company STFC Innovations Limited. The Council's current shareholding in SIL is 1 ordinary share of £1. This company was established to manage and commercially exploit the intellectual property owned by STFC and seek to ensure the optimum exploitation of such property in the United Kingdom economy in accordance with HM Government policy.

As is to be expected with a venture of this nature, SIL incurred a trading deficit of £857,148 (2011-12: £2,107,473). The trading deficit is underwritten in full by STFC.

The operating results, assets and liabilities of SIL are reflected in STFC's Financial Statements in accordance with IAS 27 as explained in Note 1.2. The aggregate amount of capital and reserves at 31 March 2013 was £(7.5m) (2011-12: £(6.7m)).

**b. Unlisted investments held by SIL**

At 31 March 2013, SIL held interests in the following undertakings:

	Country of incorporation	Class of shares held	Proportion held  %	Aggregate of capital and reserves  £,000	Profit/(loss) for the year  £,000
Oxsenis Limited	England and Wales	Ordinary	3.3	(751)	(1,254)
L3 Technology Limited	England and Wales	Ordinary	0.3	233	(570)
Microvisk Limited	England and Wales	Ordinary	1.8	4,197	(3,921)
Petra Limited	England and Wales	Ordinary	15.1	16	(979)
Dsoft Limited	England and Wales	Ordinary	24	8	34
Constellation Technologies Limited	England and Wales	Ordinary	26.4	24	2
Cobalt Light Systems Limited (formerly LiteThru Limited)	England and Wales	Ordinary	20.2	1,738	(672)
Quantum Detectors Limited	England and Wales	Ordinary	90	60	22
Cryox Limited	England and Wales	Ordinary	90	-	-
Electrospinning Limited	England and Wales	Ordinary	24.6	227	(100)
Scitech Precision Limited	England and Wales	Ordinary	100	146	101
Cella Energy Limited	England and Wales	Ordinary	11	1,165	(747)
Teratech Components Limited	England and Wales	Ordinary	49.9	159	159

At 31 March 2012, SIL held interests in the following undertakings:

	Country of incorporation	Class of shares held	Proportion held	Aggregate of capital and reserves	Profit/(loss) for the year
			%	£,000	£,000
Oxsensis Limited	England and Wales	Ordinary	3.3	52	(451)
L3 Technology Limited	England and Wales	Ordinary	6	71	(681)
Microvisk Limited	England and Wales	Ordinary	1.8	4,216	(4,000)
Petrra Limited	England and Wales	Ordinary	15.1	(53)	(21)
Dsoft Limited	England and Wales	Ordinary	24	7	19
Constellation Technologies Limited	England and Wales	Ordinary	26.4	70	13
Cobalt Light Systems Limited (formerly LiteThru Limited)	England and Wales	Ordinary	20.2	2,039	(367)
Quantum Detectors Limited	England and Wales	Ordinary	90	44	5
Cryox Limited	England and Wales	Ordinary	100	-	-
Electrospinning Limited	England and Wales	Ordinary	34.9	39	(130)
Scitech Precision Limited	England and Wales	Ordinary	100	36	3
Cella Energy Limited	England and Wales	Ordinary	11	(1,233)	(819)
Teratech Components Limited	England and Wales	Ordinary	62.9	185	(27)

All other unlisted investments are held at £nil.

#### c. Diamond Light Source Limited (DLSL) (registered in England, registration number 4375679)

On 27 March 2002, BIS transferred its 86% interest in the joint venture DLSL to the Council. The remaining 14% is held by Wellcome Trust Limited (registered in England). The joint venture was established for the construction and operation of the Diamond facility, a third generation, medium energy, synchrotron radiation source.

The Council's shareholding in DLSL at 31 March 2013 is 382,593,421 ordinary shares of £1 each and 42,265,565 redeemable preference shares of £1 each. The purpose of the redeemable shares was to provide for the funding of irrecoverable VAT incurred during the construction and operation of the Synchrotron facility. Shares may be redeemed at par only to the extent that any VAT previously deemed to be irrecoverable is refunded to the company or upon the winding up of the company.

The operating results, assets and liabilities of DLSL are reflected in STFC's Financial Statements in accordance with IAS 31. The aggregate amount of capital and reserves at 31 March 2013 was £352.3m (2011-12: £350.5m) and the loss for the year was £28.7m (2011-12: £27.2m).

The value of the investment in DLSL has been revalued by £28.295m to take account of a difference in accounting policy between STFC and DLSL. See Note 1.5.

**d. RCUK Shared Services Centres Limited / UK Shared Business Services Limited (registered in England, registration number 6330639)**

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 STFC each own one non-Government Department (NGD) share, with the combined voting value of all the NGD shares being 44 per cent.

STFC 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 (£7,855k). This value represents STFC's opening JV value (£12,739k) less STFC's share of the company's losses and other impairments incurred during the period until 6 March 2013 (£4,883k). The amount from BIS can be seen on the Cash Flow Statement under investing activities, and means that STFC have not needed to draw down as much GIA from BIS as initially expected. STFC's share of the company losses and other impairments has been charged to the Statement of Comprehensive Net Expenditure.

This leaves STFC with one NGD share and means that STFC 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.

**e. ILL**

STFC, as the UK representative, is one of three associate members of the ILL alongside the French and German Foreign Ministries. STFC holds 50 shares in ILL (33%) and contributes 33% of ILL's funding. The remainder of the shares are evenly distributed between the Foreign Ministries of Germany and France. The shares are not publicly traded and currently have no open market value.

The operating results, assets and liabilities of ILL are reflected in STFC's Financial Statements in accordance with IAS 31. The aggregate amount of capital and reserves at 31 March 2013 was £124m (2011-12: £102m), and the loss for the year was £nil (2011-12: £nil).

**f. Harwell Oxford**

The Harwell Science and Innovation Campus Limited Partnership (HSIC LP) was created in 2008 for the purpose of developing the Harwell Oxford campus. The partners in HSIC LP are Goodman, an international property group, and Harwell Science and Innovation Campus Public Sector Partnership (PubSP), which holds the public sector's interest in the HSIC JV. The management and control of PubSP is shared jointly by STFC and the United Kingdom Atomic Energy Authority (the Authority) with financial interests reflecting the relative property and cash contributions of the partners.

Since its establishment, HSIC LP has developed the Harwell Oxford campus as a world-class centre for science, technology and innovation, achieving considerable success during 2012-13 through the delivery of a new 56,000sqft building for Element 6, enhancing the mixed use characteristics of the scheme with significant new residential development and expected approvals, and securing Enterprise Zone status for the site. The Element 6 development was financed by a mixture of bank borrowing and partner loans, including £1.3m from the United Kingdom Atomic Energy Authority, via PubSP.

On 28 March 2013 the Partners entered into a Sale and Purchase Agreement in which Goodman UK Limited, following a five year commitment to the project, will transfer its stake in HSIC LP to PubSP by 31 December 2013 or to a suitable third party if one is identified before this date. The Authority invested £6m and STFC invested £1m in PubSP to finance this deal, with the expectation that the investment will be recouped through capital injected by a new private sector partner and future profits generated by the JV.

The operating results, assets and liabilities of HSIC PubSP are reflected in STFC's Financial Statements in accordance with IAS 31. The aggregate amount of capital and reserves at 31 March 2013 was £10.540m (2011-12: £2.443m), and the loss for the year was £0.239m (2011-12: £0.245m). At 31 March 2013 STFC holds a 7% share in PubSP with the Authority holding 93%.

### g. Sci-Tech Daresbury

The Daresbury Science and Innovation Campus Limited Liability Partnership (DSIC LLP) was formed in December 2010 to develop the Sci-Tech Daresbury campus as a location for new science, engineering and technology initiatives with a focus on collaborative approaches to research and innovation and the promotion of entrepreneurial activity, business development and economic impact.

On the campus, STFC's Daresbury Laboratory and the Cockcroft Institute provide leading-edge facilities and research and development in a variety of scientific fields including accelerator science, high performance computing, and sensors and detectors. In addition, the campus is home to over 100 high-tech companies employing nearly 500 people in areas such as advanced engineering, digital/ICT, biomedical and energy and environmental technologies. The campus has Enterprise Zone status, which will enhance its ability to attract new tenants and development investment.

The partners in DSIC LLP are Langtree, a commercial property development company and Daresbury SIC (Pubsec) LLP, which holds the public sector's interest in the JV. With the Northwest Regional Development Agency's (NWDA's) interest in the partnership having been transferred to STFC in October 2011, management and control of Daresbury SIC (Pubsec) LLP is now shared equally between STFC and Halton Borough Council, while the public sector's financial interest in the JV is represented by Loan Notes held by STFC, in consideration for properties contributed to the JV by NWDA. In addition to the assets already transferred, DSIC LLP will be able to acquire additional land through Conditional Sale Agreements, including certain plots currently owned by STFC.

The operating results, assets and liabilities of Daresbury SIC (Pubsec) LLP are reflected in STFC's Financial Statements in accordance with IAS 31. The aggregate amount of capital and reserves at 31 March 2013 was £0.989m (2011-12 £1.044m) and the loss for the year was £0.056m (2011-12: £0.010m).

### h. Other

#### International collaborations

As detailed in Note 8 STFC makes significant contributions to a number of international organisations in addition to ILL: CERN, ESF, ESO, and ESRF. STFC holds voting powers in each of these organisations and also holds 1,400 common shares in ESRF (14%). STFC's shareholding in ESRF is not affected by the reduction in contribution from 14% to 10% for the period 1 January 2011 to 31 December 2013. With the exception of ILL, STFC does not have the ability or power to exercise significant influence over any of these organisations. The financial results of these organisations are not reflected in STFC's Financial Statements and the contributions to these organisations are shown as expenditure through the Statement of Comprehensive Net Expenditure.

#### Spectrum (General Partner) Limited (registration number 4409886)

The Council holds 21,875 ordinary shares of 0.01p (21.875% interest) in Spectrum (General Partner) Limited. This company was set up to act as the Advisory Board for the Rainbow Seed Fund (RSF) and its purpose is to ensure that the RSF operates within the parameters set out by BIS and to monitor the performance of the Fund and the Fund Manager.

The RSF is a limited partnership comprised of four core partners (STFC, the Biotechnology and Biological Science Research Council (BBSRC), the Natural Environment Research Council (NERC) and the Defence Science and Technology Laboratory (DSTL)) and six associate partners (the United Kingdom Atomic Energy Authority, The Food and Environment Research Laboratory (FERA, formerly Central Science Laboratory), The Health Protection Agency (HPA), The Animal Health Veterinary Laboratories Agency (AHVLA), The National Physical Laboratory (NPL) and The James Hutton Institute (formed by the merger of The Scottish Crop Research Institute (SCRI) and The Macaulay Land Use Research Institute)).

The Fund provides seed capital investment to commercialise the outcomes of science research in the publicly funded partner organisations' Government facilities. Midven Limited manages the Fund under contract. No entry is made in the Statement of Financial Position as the value of the holdings and the trading position of this company is not material to the accounts.

**Neos Interactive Limited (registration number 3564252)**

The Council is a minority shareholder (<1%) in Neos Interactive Limited (registered in England). No entry is made in the Statement of Financial Position as the value of the holdings and the trading position of this company is not material to the Financial Statements.

## 15. Trade and other receivables

STFC 2013 £'000	Consolidated 2013 £'000	Consolidated 2012 £'000
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### (a) Analysis by type

#### *Amounts falling due within one year*

Trade receivables	10,434	10,434	13,429
Deposits and advances	91	91	72
Other receivables	844	844	28
Prepayments	28,999	28,999	30,420
Accrued income	9,104	9,104	10,700
Early retirements - amounts recoverable	770	770	916
<b>Total</b>	<b>50,242</b>	<b>50,242</b>	<b>55,565</b>

#### *Amounts falling due after more than one year*

Early retirements – amounts recoverable	2,328	2,328	2,916
Prepayments	3,174	3,174	3,256
Deposits and advances	315	315	122
Other receivables	-	-	373
<b>Total</b>	<b>5,817</b>	<b>5,817</b>	<b>6,667</b>

Included within accrued income is £1.5m (2011-12: £1.2m) of income relating to EU funding.

In consideration of a one off payment of £4.095m the Council has leased land from the United Kingdom Atomic Energy Authority for a period of 50 years from 1 January 2003. In accordance with IAS 17 this lease has been recognised as a current and non-current prepayment - £0.082m and £3.174m respectively.

### (b) Analysis by source

STFC 2013 £'000	Consolidated 2013 £'000	Consolidated 2012 £'000
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#### *Amounts falling due within one year*

Other central government bodies	7,635	7,635	4,337
Public corporations and trading funds	-	-	19
Bodies external to government	42,607	42,607	51,209
<b>Total</b>	<b>50,242</b>	<b>50,242</b>	<b>55,565</b>

#### *Amounts falling due after more than one year*

Other central government bodies	3,174	3,174	6,172
Bodies external to government	2,643	2,643	495
<b>Total</b>	<b>5,817</b>	<b>5,817</b>	<b>6,667</b>

An analysis of the provision held against trade receivables for doubtful debts is shown below:

	STFC 2013 £'000	Consolidated 2013 £'000	Consolidated 2012 £'000
Provision for doubtful debts at beginning of period	431	431	757
Charged to SCNE	654	654	318
Utilised during the period	(56)	(56)	(3)
Released during the period	(313)	(313)	(641)
<b>Provision for doubtful debts at the end of period</b>	<b>716</b>	<b>716</b>	<b>431</b>

The ageing of trade receivables at the balance sheet date, net of the doubtful debt provision, is as follows:

	STFC 2013 £'000	Consolidated 2013 £'000	Consolidated 2012 £'000
Current	5,140	5,140	8,359
0 - 60 days past due	3,149	3,149	3,953
61 - 360 days past due	2,122	2,122	948
Over 360 days past due	23	23	169
	<b>10,434</b>	<b>10,434</b>	<b>13,429</b>

There are no indicators at 31 March 2013 that debtors will not meet their payment obligations in respect of the net amount of trade receivables recognised in the Statement of Financial Position.

There is no material difference between the carrying value of non-derivative financial assets and liabilities and their fair values at the date of the Financial Statements.

## 16. Other financial assets

Long term loans	STFC 2013 £'000	Consolidated 2013 £'000	Consolidated 2012 £'000
Daresbury SIC LLP	9,463	9,463	9,463
Oxsensis Ltd.	238	238	238
	<b>9,701</b>	<b>9,701</b>	<b>9,701</b>

The long term loan to Daresbury SIC LLP relates to loan notes transferred from NWDA in the prior year and received in exchange for properties contributed to the Daresbury SIC LLP. They become due and payable after a five years holiday on payment and are subject to an agreed repayment profile. They carry interest at a rate of 3% per annum but payment is deferred until three years from the date of completion. Interest to the value of £297k has been accrued for the period to 31<sup>st</sup> March 2013.

£238,000 of loan stock was purchased in Oxsensis Ltd on 30<sup>th</sup> March 2012. Interest is payable on the loan at 10% per annum until the redemption date of April 2017. Interest to the value of £23k has been accrued for the period to 31<sup>st</sup> March 2013.



## 17. Derivatives and other financial instruments

IAS 39 Financial Instruments: Recognition and measurement, IFRS 7 Financial Instruments: Disclosure, and IAS 32 Financial Instruments: Disclosures, have been adopted by STFC with effect from 1 April 2008. IAS 32 requires 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 government bodies are financed, the Council is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IAS 39, IFRS 7 and IAS 32 mainly apply.

### Credit Risk

Financial assets and liabilities are held at fair value and changes in values are recognised in the Statement of Comprehensive Net Expenditure. The fair value of the Council's financial assets and liabilities are equivalent to the carrying amount unless otherwise stated.

The Council has very limited powers to borrow or invest surplus funds and, except for forward purchases of foreign currency, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the Council in undertaking its activities.

### Liquidity risk

The Council's net revenue resource requirements are financed by resources voted annually by Parliament, and administered as grant-in-aid through BIS just as its capital expenditure largely is. The Council is not therefore exposed to significant liquidity risks.

### Interest-rate risk

All of the Council's financial assets and liabilities carry nil or fixed rates of interest and the Council is not therefore exposed to interest-rate risk.

### Currency risk

The Council's exposure to foreign currency risk was not significant during the year as the risk exposure on the Council's principal international subscriptions was shared across the Research Councils whereby the Council is compensated for variances from a base position.

*Cash flow hedge.* Through the use of forward contracts, the Council seeks to mitigate its risk of foreign exchange rate movements on its annual subscription commitments payable to ILL, ESRF, ESO (all Euros) and CERN (Swiss Francs). The subscriptions are payable in foreign currency at set points throughout the year.

For 2012-13, 22 contracts with an agreed cost of £237,950,584 have been fair valued (using the active market rate ruling at 31 March 2013) at £240,373,922 with the difference being credited to the income and expenditure reserve.

The amount recognised in other comprehensive income during the year was £5,366,585 (2011-12: £8,399,256).

The forward contracts have been placed to cover 90% of the subscriptions between 2013-14 and 2014-15.

Swiss Franc forward contracts as at 31 March 2013:

Date contract placed	Settlement date	Fair value £'000
09 December 2010	12 April 2013	1,562
09 December 2010	10 January 2014	878
09 December 2010	11 April 2014	1,091
02 March 2012	12 April 2013	(144)
02 March 2012	10 January 2014	(245)
02 March 2012	11 April 2014	(265)
02 March 2012	05 January 2015	(425)
		<u>2,452</u>

Euro forward contracts as at 31 March 2013:

Date contract placed	Settlement date	Fair value £'000
10 December 2010	01 April 2013	(2)
10 December 2010	01 May 2013	(11)
10 December 2010	01 July 2013	(2)
10 December 2010	01 August 2013	(4)
10 December 2010	03 February 2014	(5)
10 December 2010	01 April 2014	(2)
10 December 2010	01 May 2014	(18)
10 December 2010	01 July 2014	(3)
10 December 2010	01 August 2014	(7)
02 March 2012	01 October 2013	5
02 March 2012	01 November 2013	6
02 March 2012	03 February 2014	10
02 March 2012	01 October 2014	1
02 March 2012	03 November 2014	2
02 March 2012	02 February 2015	1
		<u>(29)</u>
		<u>2,423</u>
		<u>2,048</u>
	Current	<u>375</u>
	Non-current	

## Swiss Franc forward contracts as at 31 March 2012:

Date contract placed	Settlement date	Fair value £'000
09 December 2010	13 April 2012	3,183
09 December 2010	11 January 2013	2,337
09 December 2010	12 April 2013	1,968
09 December 2010	10 January 2014	1,279
09 December 2010	11 April 2014	1,715
02 March 2012	12 April 2013	14
02 March 2012	10 January 2014	(18)
02 March 2012	11 April 2014	(23)
02 March 2012	15 January 2015	(54)
		<u>10,401</u>

## Euro forward contracts as at 31 March 2012:

Date contract placed	Settlement date	Fair value £'000
10 December 2010	02 April 2012	(8)
10 December 2010	01 May 2012	(56)
10 December 2010	02 July 2012	(7)
10 December 2010	01 August 2012	(16)
10 December 2010	01 October 2012	(6)
10 December 2010	01 November 2012	(18)
10 December 2010	01 February 2013	(42)
10 December 2010	01 April 2013	(6)
10 December 2010	01 May 2013	(48)
10 December 2010	01 July 2013	(7)
10 December 2010	01 August 2012	(14)
10 December 2010	03 February 2014	(14)
10 December 2010	01 April 2014	(6)
10 December 2010	01 May 2014	(40)
10 December 2010	01 July 2014	(6)
10 December 2010	01 August 2014	(12)
02 March 2012	01 October 2013	-
02 March 2012	01 November 2013	-
02 March 2012	03 February 2013	(1)
02 March 2012	01 October 2014	(1)
02 March 2012	03 November 2014	(2)
02 March 2012	02 February 2015	(3)
		<u>(313)</u>
		<u>10,088</u>
	<b>Current</b>	<u>5,367</u>
	<b>Non-current</b>	<u>4,721</u>

## 18. Cash and cash equivalents

	STFC 2013 £'000	Consolidated 2013 £'000	Consolidated 2012 £'000
Balance at 1 April	8,122	8,122	10,027
Decrease in cash and cash equivalents	(7,055)	(7,055)	(1,905)
<b>Balance at 31 March</b>	<b>1,067</b>	<b>1,067</b>	<b>8,122</b>

At 31 March 2013 £43k (2012: £5.2m) was held in Government bank accounts. The balance was held in commercial bank accounts.

## 19. Assets classified as held for sale

	STFC 2013 £'000	Consolidated 2013 £'000	Consolidated 2012 £'000
Balance at 31 March	273	273	-
<b>Balance at 31 March</b>	<b>273</b>	<b>273</b>	<b>-</b>

Assets classified as held for sale represent two houses bought from staff by the Council as part of their relocation package in 2012-13. Both houses are being actively marketed for sale. The value of assets classified as held for sale represents the expected net disposal proceeds.

## 20. Trade and other payables

	STFC 2013 £'000	Consolidated 2013 £'000	Consolidated 2012 £'000
<b>(a) Analysis by type</b>			
<i>Amounts falling due within one year</i>			
Trade payables	8,289	8,289	33,641
Other payables	332	332	1,795
Accruals and deferred income	50,901	50,901	67,518
Early retirement costs	1,621	1,621	2,220
Social security and other taxes	2,323	2,323	2,951
Total	<b>63,466</b>	<b>63,466</b>	<b>108,125</b>

### *Amounts falling due after more than one year*

Accruals and deferred income	8,519	8,519	8,347
Early retirement costs	4,495	4,495	5,995
	<b>13,014</b>	<b>13,014</b>	<b>14,342</b>

## (b) Analysis by source

	STFC 2013 £'000	Consolidated 2013 £'000	Consolidated 2012 £'000
<i>Amounts falling due within one year</i>			
Other central government bodies	9,690	9,690	15,727
Public corporations and trading funds	54	54	202
Bodies external to government	53,722	53,722	92,196
Total	<b>63,466</b>	<b>63,466</b>	<b>108,125</b>
<i>Amounts falling due after more than one year</i>			
Bodies external to the government	8,519	8,519	8,347
Other central government bodies	4,495	4,495	5,995
	<b>13,014</b>	<b>13,014</b>	<b>14,342</b>

There is no material difference between the carrying value of non-derivative financial assets and liabilities and their fair values at the date of the Financial Statements.

## 21. Provisions for liabilities and charges

	STFC 2013 £'000	Consolidated 2013 £'000	Consolidated 2012 £'000
<b>Decommissioning</b>			
Balance at 1 April	41,433	41,433	49,157
Increase in provision	3,321	3,321	-
Reduction in provision	(10,867)	(10,867)	(100)
Unwinding of discount	458	458	625
Utilisation of provision	-	-	(8,249)
<b>Balance at 31 March</b>	<b>34,345</b>	<b>34,345</b>	<b>41,433</b>
<b>Restructuring</b>			
Balance at 1 April	-	-	-
Increase in provision	990	990	-
<b>Balance at 31 March</b>	<b>990</b>	<b>990</b>	<b>-</b>
<b>Total provisions</b>	<b>35,335</b>	<b>35,335</b>	<b>41,433</b>

### Analysis of expected timing of discounted flows

	STFC 2013 £'000	Consolidated 2013 £'000	Consolidated 2012 £'000
Within 12 months	-	-	-
Between 2 and 5 years	1,917	1,917	-
Thereafter	33,418	33,418	41,433
<b>Balance at 31 March</b>	<b>35,335</b>	<b>35,335</b>	<b>41,433</b>

### Decommissioning of technical facilities

In accordance with: IAS 37: *Provisions, Contingent Liabilities and Contingent Assets* decommissioning costs are recognised in full as soon as the obligation exists. When the obligation incurred gives access to future economic benefits a corresponding asset is set up in the Statement of Financial Position at the same time with depreciation being charged to the Statement of Comprehensive Net Expenditure over its useful life.

As at 31 March 2013 the discount rates used in the calculation of decommissioning provisions changed as per HM Treasury PES (2012) 15 Discount Rates for General Provisions. The Council has therefore applied the following discount rates:

Rate	Real rate
Short-term	-1.80%
Medium-term	-1.00%
Long-term	2.20%

The Council has in place plans for the decommissioning of the ISIS pulsed neutron source and the associated second Target Station at the Rutherford Appleton Laboratory at the end of its anticipated operating life in 2040. In preparing the best estimate of the provision required to settle the decommissioning obligation it is recognised that there remains a significant degree of inherent uncertainty in the future cost estimates. These include:

- the length of time over which the necessary programme of work will be delivered – stretching to 2040;
- changes to the STFC funding profile – either resulting in an earlier closure of the facility or a significant upgrade to the facility. Both scenarios would affect the timing and cost of decommissioning;
- possible technological advances which may occur which could impact the work to be undertaken to decommission and clean up the site; and
- uncertainty over future Government policy positions and potential regulatory changes regarding decommissioning.

The ISIS provision was revalued in 2012-13 and validated against three professional valuations.

New liabilities within the year have been included as provisions for the costs associated with decommissioning two assets at the Daresbury Laboratory:

1. ALICE accelerator: STFC will be required to decommission and restore the site on which the ALICE accelerator sits at the end of its estimated useful life in 2016-17, which includes the cost of low level active waste disposal; and
2. EBTF: STFC will be required to decommission and restore the site of the EBTF (Electron Beam Test Facility) at the end of its estimated useful life in 2027-28.

Included within the prior year opening decommissioning balance is an amount in respect of the decommissioning of the Council's technical facilities at Isaac Newton Group of Telescopes (ING) on La Palma, Spain and the Joint Astronomy Centre (JAC) on Hilo, Hawaii. In May 2012 the Council confirmed the date of STFC's withdrawal from the facilities. The decommissioning provision of £8.3m was utilised in full in 2011-12 with the decommissioning costs shown as a long term payable in the Statement of Financial Position.

## 22. Contingent liabilities

STFC had the following contingent liabilities as at 31 March 2013:

- a. £11.7m (2011-12: £11.9m) in respect of ILL staff related commitments and costs associated with reprocessing fuel elements. The decrease on the prior year is attributable to additional early retirement commitments identified by ILL in 2011. As there has been no past obligating event these costs are treated as a contingent liability in accordance with IAS 37.
- b. £2.3m (2011-12: £2.3m) in respect of ESRF decommissioning costs associated with the dismantling of the facility and infrastructures. Decommissioning occurs on winding up of ESRF. If exit by the UK (or any other Member) results in ESRF being wound up, the Members are required to arrange for decommissioning of ESRF's plant and buildings and to meet the costs of doing so in proportion to their share of capital at the time of dissolution. As there has been no past obligating event these costs are treated as a contingent liability in accordance with IAS 37.
- c. The Council collaborates with a number of other international partners in the funding, management and operation of technical facilities which are not owned by STFC. In the event of a decision to withdraw from any of these arrangements, it is likely that STFC would assist in the search for a replacement partner to ensure that technical commitments were met. The most significant international collaborations are in respect of the CERN and ESO. For each of these facilities there is the possibility that STFC would be obliged to contribute to decommissioning costs arising from a decision taken to discontinue operations. The decisions to decommission are not wholly within STFC's control:
  - CERN – the CERN Convention will be dissolved if there is less than five Member States, or on the agreement of all Member States. If withdrawal from CERN by the UK results in either CERN itself and/or any programme coming to an end, deficits may potentially arise for which the UK will be required to contribute in the proportion of its contribution, if it is participating at the time of ending.
  - ESO – the ESO Convention may be dissolved at any time by a resolution of two-thirds of the Members. If there are outstanding liabilities on dissolution of ESO, those liabilities are to be met by the Members pro rata to their contributions for the then current year.

There are no current plans for decommissioning nor are there any plans for STFC to withdraw from CERN or ESO.

- d. Two asbestos related claims were reported in 2011-12; one of these was settled in year and is reported as a Special Payment in Note 26 whilst the second cannot be reliably measured at the date of the Financial Statements.
- e. A contingent liability was reported in 2011-12 in respect of additional pension liabilities for early retirements. This liability has expired and no contingent liability is reported in 2012-13.

## 23. Commitments

STFC had the following commitments at the balance sheet date:

### a. Research grants

	STFC 2013 £'000	Consolidated 2013 £'000	Consolidated 2012 £'000
Payable within 1 year	84,908	84,908	98,456
Payable in 2 to 5 years	116,728	116,728	123,666
Payable beyond 5 years	1,386	1,386	2,497
<b>Total commitment</b>	<b>203,022</b>	<b>203,022</b>	<b>224,619</b>

### b. Capital expenditure

	STFC 2013 £'000	Consolidated 2013 £'000	Consolidated 2012 £'000
Contracted but not provided for:			
Property, plant and equipment	10,336	17,621	17,557
Intangible assets	-	-	3,246
	<b>10,336</b>	<b>17,621</b>	<b>20,803</b>

### c. International subscriptions

	STFC 2013 £'000	Consolidated 2013 £'000	Consolidated 2012 £'000
Payable within 1 year	148,146	148,146	142,168
Payable in 2 to 5 years	273,178	273,178	298,520
	<b>421,324</b>	<b>421,324</b>	<b>440,688</b>



## 24. Leases

### 24.1 Obligations under operating leases

Total future minimum lease payments under non-cancellable operating leases are given below:

Land and buildings	STFC 2013 £'000	Consolidated 2013 £'000	Consolidated 2012 £'000
Not later than one year	32	51	125
Later than one year and not later than five years	-	-	233
Later than five years	-	-	96
	<b>32</b>	<b>51</b>	<b>454</b>
<b>Other leases:</b>			
Not later than one year	26	26	15
Later than one year and not later than five years	25	25	-
	<b>51</b>	<b>51</b>	<b>15</b>

- £134,767 was charged to the SCNE in respect of operating leases in 2012-13 (2011-12: £168,107).
- The STFC facilities at the JAC in Hawaii are located on land owned by the University of Hawaii. There are operating leases in place in respect of the land on which the JCMT telescope and base office are based – these leases are for a peppercorn rent and expire in December 2033 and July 2047 respectively. There is a further lease in place for the land on which the UKIRT telescope is based, this is also for a peppercorn rent and STFC grants the University of Hawaii exclusive use of 15% facility time in lieu of land rental. This lease expires in December 2033. A Memorandum of Opportunity is being negotiated for the JAC office base with the University of Hawaii at Hilo for the remaining time left to STFC before withdrawal of the site in 2014.
- The STFC facility at ING is located on Spanish land. There is an operating lease in place between the Spanish host, Instituto de Astrofísica de Canarias (IAC) and STFC for a peppercorn rent. STFC gives 20% of telescope time to IAC in lieu of land rental. The lease was renewed in May 2012 for a further 10 years. This extension was by mutual agreement and can be ended by mutual agreement without penalty.
- In consideration of a one off payment of £4.095m the Council has leased land from the United Kingdom Atomic Energy Authority for a period of 50 years from 1 January 2003. In accordance with IAS 17 this lease has been recognised as a current and non-current prepayment in Note 15.
- The UK SBS Ltd is no longer consolidated due to change in ownership (see Note 14d). The 2011-12 UK SBS Ltd consolidated value for leases was £381k.

### 24.2 Operating leases granted

- STFC has granted an operating lease to DLSL. The lease is for a peppercorn rent for a period of 40 years from 31 January 2003. The lease covers part of the land leased to STFC from the UKAEA and part of the Council's own land.
- STFC earns rental income in respect of tenancy agreements at RAL and Daresbury.

Land and buildings	STFC 2013 £'000	Consolidated 2013 £'000	Consolidated 2012 £'000
Not later than one year	437	437	1,137
Later than one year and not later than five years	1,043	1,043	1,518
	<b>1,480</b>	<b>1,480</b>	<b>2,655</b>

## 25. Related party transactions

The Council is a NDPB sponsored by BIS; BIS is regarded as a related party. During the year, the Council had various material transactions with BIS and with other entities for which BIS is the sponsoring or parent body: Biotechnology and Biological Sciences Research Council, Engineering and Physical Sciences Research Council, Economic and Social Research Council, Medical Research Council and the Natural Environment Research Council and the income generated from these bodies is set out in Note 10.

In addition the Council had various material transactions with other Government Departments and other central government bodies and the income generated from these bodies is set out in Note 10.

As set out in Note 14, the Council holds the major interest in DLSL. Related party transactions with DLSL for the period ending 31 March 2013 were as follows:

	2013 £'000	2012 £'000
Provision of technical and scientific manpower, costs collected on behalf of DLSL, accommodation and site services	2,653	2,299
Purchase of goods and services from DLSL	67	3
Amounts owing to DLSL	920	858
Amounts owing by DLSL	(297)	(152)
<b>Outstanding balance at 31 March</b>	<b>623</b>	<b>706</b>

The related party transactions disclosed above exclude funding of the joint venture which is disclosed on the face of the Statement of Comprehensive Net Expenditure.

As set out in Note 14, the Council holds a one-third interest in Institut Laue-Langevin. Related party transactions with ILL for the period ending 31 March 2013 were as follows:

	2013 £'000	2012 £'000
Subscription to ILL	19,619	17,358
<b>Total</b>	<b>19,619</b>	<b>17,358</b>
Amounts owing to ILL	-	-
Amounts owing by ILL	-	-
<b>Outstanding balance at 31 March</b>	<b>-</b>	<b>-</b>

As set out in Note 14 the Council holds a minority interest in Harwell Science and Innovation Campus Public Sector Partnership (PubSP) and 50% management control. Related party transactions with PubSP for the period ending 31 March 2013 are that of the £1,017,655 (2011-12: £23,900) of capital introduced to the partnership.

PubSP has in turn 50% management control over HSIC Limited Partnership. Related party transactions between STFC (via HSIC PubSP) and HSIC LP for the year ended 31 March 2013 were as follows:

	2013 £'000	2012 £'000
Admin service charge to HSIC	3	-
Purchases from HSIC	391	366
Amounts owing to HSIC	86	129
Amounts owing by HSIC	(38)	-
<b>Outstanding balance at 31 March</b>	<b>48</b>	<b>129</b>

As set out in Note 14 the Council holds an interest in Daresbury Science and Innovation Campus Limited Public Sector Partnership (PubSP) and 50% management control. Related party transactions with PubSP for the period ending 31 March 2013 are that of the £nil (2011-12: £1.054m) of capital introduced to the partnership.

PubSP has in turn 50% management control over DSIC Limited Partnership. Related party transactions between STFC (via DSIC PubSP) and DSIC LP for the year ended 31 March 2013 were as follows:

	2013 £'000	2012 £'000
Admin service charge to DSIC	17	-
Amounts owing by DSIC	(7)	-
<b>Outstanding balance at 31 March</b>	<b>(7)</b>	<b>-</b>

During the year, the Council authorised grants and awards and entered into contracts for goods and services with institutions or other bodies where Council members hold senior positions and where Executive Board members hold honorary or part-time teaching positions or undertake work in a private consultancy capacity. The numbers and aggregate values of such contracts, grants and awards were as follows:

Name and Related Party	Number of grants	Aggregate value £'000	Number of contracts	Aggregate value £'000
<b>Council members</b>				
<b>Professor John Womersley*</b>				
University of Durham	63	5,950	17	105
University of Oxford	68	4,334	89	413
University College London	65	5,951	46	387
<b>Mrs Gill Ball OBE</b>				
University of Birmingham	41	1,803	49	483
<b>Professor Martin Barstow FRSA FInstP</b>				
University of Leicester	26	552	7	51
University of Oxford	68	4,334	89	413
<b>Dame Professor Julia Goodfellow</b>				
University of Kent	4	106	1	1
<b>Professor David Price FGS</b>				
University College London	65	5,951	46	387
<b>Professor James Stirling CBE FRS</b>				
University College London	65	5,951	46	387
University of Cambridge	78	6,869	49	105
University of Durham	63	5,950	17	105
University of Oxford	68	4,334	89	413

\*Also a member of Executive Board

None of the above named persons were involved in the authorisation of grants or awards or was involved in the placing of contracts with the institutions or bodies where they hold senior positions or, in the case of Executive Board members, hold honorary or part-time teaching positions.

The Council also provided time on its scientific facilities, either paid for directly by users, or funded by grant-giving bodies (principally the other UK Research Councils), to researchers at institutions where Council members hold senior positions and where Executive Board members hold honorary or part-time teaching positions. The related parties using the Council's facilities were as follows:

Name Council members	Related Party
Professor John Womersley*	University of Oxford University of Durham University College London
Mrs Gill Ball OBE	University of Birmingham
Professor Martin Barstow FRSA FInstP	University of Leicester
Dame Professor Julia Goodfellow	University of Kent
Professor David Price FGS	University College London
Professor James Stirling CBE FRS	University of Cambridge University of Durham University of Oxford

\* Also a member of Executive Board

None of the above named persons was involved in the award of facility time to the institutions or bodies where they hold senior positions or, in the case of Executive Board members, hold honorary or part-time teaching positions.

Professor John Womersley is a director of the Square Kilometre Array (SKA) Organisation. The SKA is a global project to build the world's largest and most sensitive radio telescope. STFC is the UK member of the SKA Organisation and contributed £1.2m to the SKA Organisation in 2012-13.

Four STFC senior employees hold immaterial shareholdings in a number of SIL spin out companies.

No board member, STFC member of staff or other related parties, has undertaken any material transactions with the Council during the year.

## 26. Losses and special payments

	Number	Value £
<b>Losses:</b>		
Claims waived or abandoned	23	21,390
Accounting write offs	9	1,444
Fruitless payments	5	966
	<b>37</b>	<b>23,800</b>
<b>Special Payments:</b>		
Compensation payments	<b>3</b>	<b>201,411</b>

## 27. Events after the reporting period

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

# Statistics (unaudited)

## Research Grants

### Research Grant awards made during 2012-13

Value by subject area £'000

Institution Universities and Colleges	Number of Applications	Number of Awards	Astronomy	Ground Based Facilities	Astronomy Observation	Telescope Time	Project Peer Review Panel	Particle Physics	Particle Astrophysics	Nuclear Physics	Futures	Total £'000
Aberystwyth	1	0										0
Birkbeck College	0	1	91									91
Brunel University	2	4					233	671				904
Cardiff University	6	4			2,082	20	179		37			2,318
City University London	1	0										0
Durham University	7	8	54	358	1,207		374	503	163		2	2,661
Glyndwr University	1	1									46	46
Heriot-Watt University	3	1					351					351
Imperial College London	11	12	3,263		17		797	14,908	218			19,203
Institute of Cancer Research	1	1									42	42
Keele University	1	0										0
King's College London	3	0										0
Lancaster University	2	3					270	3,026				3,296
Liverpool John Moores University	1	2			804	25						829
Newcastle University	0	1	91									91
Northumbria University	1	0										0
Nottingham Trent University	3	1									49	49
Open University	2	1				2						2
Queen Mary, University of London	3	3					400	3,569				3,969
Queen's University of Belfast	2	3	110			42					44	196
Royal Holloway,	6	5					314	3,932				4,246
Swansea University	1	0										0
The University of Manchester	16	11		1,161		28	953	4,201			303	6,646
University College London	12	11	2,677		1,883	11	138	4,613	94		254	9,670
University of Abertay Dundee	1	0										0
University of Bath	1	1									49	49
University of Birmingham	7	8			1,877		165	3,198	428		29	5,697
University of Bristol	3	4				20		4,207				4,227
University of Cambridge	16	16		1,440	2,792	6	781	3,951			29	8,999
University of Central Lancashire	2	3	712		332							1,044
University of Dundee	0	1	612									612
University of Edinburgh	15	10	48	32			757	2,189	868		244	4,138
University of Exeter	1	1				12						12
University of Glasgow	9	6	358				937	3,999	38			5,332
University of Hertfordshire	2	0										0

University of Kent	1	1	406									406
University of Leeds	2	3	1,520				119	33				1,672
University of Leicester	5	4		3,856	14	313		498				4,681
University of Liverpool	7	7				271	7,250	124				7,645
University of Nottingham	4	2	7					3				10
University of Oxford	15	14	1,643	3,673	66	452	11,074	174				17,082
University of Plymouth	1	0										0
University of Portsmouth	2	2		1,379	2							1,381
University of Reading	1	1									40	40
University of Sheffield	8	9			20	79	3,173	117			47	3,436
University of Southampton	4	1						5				5
University of St Andrews	0	2	752								240	992
University of Strathclyde	3	1						61				61
University of Surrey	2	1									49	49
University of Sussex	6	6	321		2	18	1,876				48	2,265
University of the West of Scotland	2	1							9			9
University of Warwick	8	4		55	40		2,174					2,269
University of York	2	2							82	41		123
<b>Research facilities</b>												
Armagh Observatory	1	0										0
NERC British Antarctic Survey	0	1									34	34
NERC Centre for Ecology and Hydrology	0	1									122	122
<b>Scottish Universities</b>												
Environmental Research Centre	1	1	506									506
<b>Total</b>	<b>218</b>	<b>187</b>	<b>11,528</b>	<b>4,634</b>	<b>19,957</b>	<b>310</b>	<b>7,782</b>	<b>78,702</b>	<b>2,801</b>	<b>82</b>	<b>1,712</b>	<b>236,848</b>

Note these statistics are based on grants awarded rather than grants paid in 2012-13

## Facility Development Grants/Facility Research and Development Scheme

For 2011-12 onwards all facility development capital funding will be directly allocated to the facilities under the new model for facility funding agreed across the different Research Councils/with BIS. For each CSR period the amount of capital for sustainable development of that facility will be agreed between the Research Councils and will form part of the facilities allocation from BIS to STFC.

## Knowledge Exchange

Industry Partnership Scheme (IPS) grants awarded during 2012-13:

There were 7 Challenge Led Applied Systems Programme (CLASP) grants awarded during 2012-13 with a total value of £1,413,331.

Grant type	Number	Value £
IPS awards	6	1,532,810
Mini IPS	6	659,187
Follow-on fund	2	174,895
Fellowships	2	177,391
<b>Total</b>	<b>16</b>	<b>2,544,283</b>

## Education and Training

Research studentships – quota allocation 2012 and 2013

Institution	No. of Studentships	
	2012	2013
<b>Universities &amp; Colleges</b>		
Aberystwyth	2	1
Birmingham	6	6
Bristol	3	4
Brunel	1	1
Cambridge	20	20
Cardiff	4	4
Central Lancashire	2	2
City	1	1
Dundee	1	0
Durham	13	14
Edinburgh	8	9
Exeter	2	2
Glasgow	8	9
Heriot-Watt	1	0
Hertfordshire	3	3
Imperial College London	15	14
Keele	2	2
Kent	1	0
Kings College London	3	3
Lancaster	3	3
Leeds	4	4
Leicester	9	10
Liverpool	10	12
Liverpool John Moores	3	3
Manchester	13	13
Nottingham	3	4
Open	5	6
Oxford	15	16
Portsmouth	3	2
Queen Mary, University of London	6	7
Royal Holloway, University of London	2	2
Sheffield	5	4
Southampton	6	6
St Andrews	5	4
Strathclyde	1	1
Surrey	3	2
Sussex	4	5
Swansea	3	3
University College London	12	11
Warwick	3	4



West of Scotland	2	1
York	2	1
<b>Other</b>		
Armagh Observatory	1	1
The Natural History Museum	1	0
<b>Total</b>	<b>220</b>	<b>220</b>

# Glossary of Acronyms

<b>Acronym</b>	<b>Definition</b>
AASG	Audit and Assurance Services Group
AHRC	Arts and Humanities Research Council
AHVLA	The Animal Health Veterinary Laboratories Agency
ALARP	As Low As Reasonably Practicable
ALICE	Accelerators and Lasers In Combined Experiments
ALMA	Atacama Large Millimetre Array
AUC	Assets Under Construction
BBSRC	Biotechnology and Biological Sciences Research Council
BIS	Department for Business, Innovation and Skills
CEA	Commissariat a l'energie atomique
CERN	The European Organization for Nuclear Research
CETV	Cash Equivalent Transfer Value
CSCNE	Consolidated Statement of Comprehensive Net Expenditure
CSD	Corporate Services Directorate
CSG	Client Service Group
CLF	Central Laser Facility
CPIs	Critical Performance Indicators
CPI	Consumer Price Index
CSD	Corporate Services Department
CRC	Carbon Reduction Commitment
CSF	Controls and Security Framework
CSR	Comprehensive Spending Review
DEFRA	Department for Food and Rural Affairs
DG KI	Director General of Knowledge and Innovation
DL	Daresbury Laboratory
DLSL	Diamond Light Source Limited
DoS	Denial of Service
DRC	Depreciated Replacement Cost
DSIC LLP	Daresbury Science and Innovation Campus Limited Liability Partnership
DSTL	Defence Science and Technology Laboratory
EA	Environment Agency
E2E	End to End
EBTF	Electron Beam Test Facility
E-ELT	European Extremely Large Telescope
EMMA	Electron Machine of Many Applications
EPN	Employer Pension Notice
EPSRC	Engineering and Physical Sciences Research Council
ERG	Efficiency and Reform Group
ESA	European Space Agency
ESA BIC	ESA's Business Incubation Centre
ESF	European Science Foundation
ESO	European Southern Observatory
ESRC	Economic and Social Research Council
ESRF	European Synchrotron Radiation Facility
ET	Employee Trust
EURATOM	European Atomic Energy Community
EUV	Existing Use Value
FAIR	Facility for Antiproton and Ion Research

FD	Finance Director
FERA	Food and Environment Research Agency
FReM	Financial Reporting Manual
FTE	Full Time Equivalent
GAD	Government Actuary's Department
GD	Government Department
GGCs	Greening Government Commitments
GPC	Government Procurement Card
GtR	Gateway to Research Project
HEFCE	Higher Education Funding Council for England
HESA	Higher Education Statistics Agency
HMT	HM Treasury
HO	Harwell Oxford Campus
HPA	Health Protection Agency
HSIC	Harwell Science and Innovation Campus
HSIC LP	Harwell Science and Innovation Campus Limited Partnership
HSE	Health and Safety Executive
IAC	Instituto de Astrofísica de Canarias
IET	The Institution of Engineering and Technology
IFRS	International Financial Reporting Standards
ILL	Institut Laue-Langevin
ING	Isaac Newton Group
ISIC	International Space Innovation Centre
I-TAC	Innovation Technology Access Centre
JAC	Joint Astronomy Centre
JCMT	James Clerk Maxwell Telescope
JV	Joint Venture
JWST	James Webb Space Telescope
K&I	Knowledge and Innovation (Group at Department for Business, Innovation and Skills)
LHC	Large Hadron Collider
LLEO	Low Level Earth Observation Model
MHCA	Modified Historic Cost Accounting
MICE	Muon Ionisation Cooling Experiment
MoG	Machinery of Government
MRC	Medical Research Council
MRoFL	Managing the Risk of Financial Loss
MV	Market Value
NAO	National Audit Office
NBV	Net Book Value
NDPB	Non Departmental Public Body
NERC	Natural Environment Research Council
NGD	Non-Government Department
NPL	National Physical Laboratory
NUVOS	Pension Scheme for staff starting 2007 onwards
NWDA	North West Development Agency
OB	Operations Board
OCPA	Office of the Commissioner for Public Appointments
PCSPS	Principal Civil Service Pension Scheme
PES	Public Expenditure System
PNISS	Principal Non-Industrial Superannuation Scheme
PRC	Project Review Committee

PPD	Personal Protected Data
PPE	Property, plant and equipment
PubSP	Public Sector Partnership
RAB	Resource Accounting and Budgeting
RAG	Risk Assurance Group
RAL	Rutherford Appleton Laboratory
RCIF	Research Council Institutes and Facilities
RCUK	Research Councils United Kingdom
RCPS	Research Councils Pension Scheme
RICS	Royal Institute of Chartered Surveyors
RIDDOR	Reporting of Injuries, Diseases, and Dangerous Occurrence Regulations
ROE	Royal Observatory Edinburgh
RoSPA	Royal Society for the Prevention of Accidents
RPAs	Radiation Protection Advisers
RPO	Radiation Protection Officer
RSF	Rainbow Seed Fund
RWAs	Radioactive Waste Advisers
SCNE	Statement of Comprehensive Net Expenditure
SCRI	The Scottish Crop Research Institute
SHE	Safety, Health and Environment
SIF	Strategic Investment Fund
SIL	STFC Innovations Limited
SIRO	Senior Information Risk Owner
SKA	Square Kilometre Array
SO	Swindon Office
SORS	Spatially Offset Raman Spectroscopy
SPC	Strategy, Performance and Communications Directorate
SPF	Security Policy Framework
SRMO	Security Risk Management Overview
SSC	Shared Services Centre
STFC	Science and Technology Facilities Council
STEM	Science, Technology, Engineering, and Mathematics
TCH	The Cosener's House
TRAC	Transparent Approach to Costing
TSB	Technology Strategy Board
UKAEA	United Kingdom Atomic Energy Authority
UKIRT	UK Infrared Telescope
UK SBS Ltd	UK Shared Business Services Limited
UKSBS EEC	UKSBS Employee Engagement Company Limited
VC	Video Conferencing
VELA	Versatile Electron Linear Accelerator
WISE	Women in Science and Engineering
WISTEM	Women in Science, Technology, Engineering, and Mathematics
wLCG	Worldwide LHC Computing Grid