



Science and Technology Facilities Council
Annual Report and Accounts 2010-2011



Science & Technology
Facilities Council

Science and Technology Facilities Council (STFC) Report and Accounts 2010-11

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Foreword

By Michael Sterling, Chairman

It gives me great pleasure to introduce the Science and Technology Facilities Council's 2010-11 annual report.

It has been an incredibly busy year for STFC and I would like to start by paying tribute to all of the Council's talented scientists, engineers, researchers and staff, as well as those partners who work closely with us, for their enthusiasm and dedication to delivering the best possible scientific outcomes for the UK.

As Chairman, I have been able to develop a deep understanding of the context STFC operates in and it would be true to say that this past year has presented STFC with a number of challenges but also many opportunities.

STFC welcomed its Spending Review allocation as a strong endorsement of our ability to deliver world leading science, innovation and skills, and contribute to the future prosperity of the UK through scientific and technological advances. The Government recognises the benefits of investing in science and research to ensure a strong and vibrant research base for the UK and internationally.

We have had announced more funding from the March 2011 budget for our science from the Government- an investment which boosts our facilities and expertise at the Science and Innovation Campuses at Daresbury and Harwell. The investment will be used to support key capabilities at Daresbury in computational science and accelerator test facilities, and to complete the second phase of ISIS Target station 2 instrumentation.

Throughout the Spending Review process, STFC engaged strongly with our scientific communities. I give thanks to both our staff and the senior academics on the advisory panels, from Science Board to the individual grants panels, for their hard work in making this happen effectively.

STFC was in a strong position to provide clear planning scenarios to Government and to present a cohesive Delivery Plan once the Spending Review was known due to the ongoing engagement efforts and in particular, the clear guidance offered by the 2009 science prioritisation exercise.

Our Delivery Plan lays out a solid foundation on which STFC can continue to move forward. Designed around our Strategic Goals it will help us to ensure that, with the passion and commitment of our staff, research communities, and partners, we can continue

maximising the impact of our science and technology for the benefit of the UK. The potential and impact of our science at home and internationally has never been greater.

Drawing on the science prioritisation exercise, we will continue to support blue skies research, operate vital scientific facilities in the UK and through our international subscriptions give the UK access to cutting edge research capabilities, and we will work smarter and more closely with industry to tackle challenges in security, healthcare, energy and the environment through our Centres.

Our science and technology has the power to inspire people of all ages – enabling them to better understand the world around them and encouraging our talented young people to consider careers in science. As such, we want to place an even bigger emphasis on our public outreach work. We are already making massive strides with this through our 'Backstage Science' films about STFC science. I urge anyone who has not yet seen these films to visit our website.

Our success rests principally upon our adhering to the highest standards and our innovating to serve the needs of our communities. This year's annual report is a record of that work. I hope you share my sense of pride in this great organisation as you reflect on the year past and the opportunities to come.

In October 2011, the Secretary of State for Business, Innovation and Skills announced the appointment of Professor John Womersley as Chief Executive of the Science and Technology Facilities Council (STFC), for four years from 1 November 2011. Professor Womersley succeeds Professor Keith Mason who after four and a half years as CEO has moved to the UK Space Agency to advise on steps needed to leverage the research base to maximise the economic growth of the space sector. I thank Professor Mason for his hard work and commitment to the Council during his term.

I am very pleased that Professor Womersley will be leading the STFC over the next four years. He has the experience and skills to lead the organisation through the challenges ahead and ensure that the UK continues to benefit from world-leading scientific facilities.

Science & Technology
Facilities Council

Inspirati
ovation



Michael Steel

Introduction

By John Womersley, Chief Executive



The Government, public and research communities are united in their belief that scientific and technological innovation are vital to the UK's future economic and social future. The work of the Science and Technology Facilities Council is at the centre of this activity - as we continue to invest in the people, projects and facilities that provide great economic, societal, international and scientific returns for the UK.

During the past year we published both our Corporate Strategy and 2011-15 Delivery Plan, setting a framework for STFC's work over the next decade and outlining where the STFC will invest and deliver over this spending round. In both these documents our commitment is clear, setting out how we will deliver our vision "To maximise the impact of our knowledge, skills, facilities and resources for the benefit of the United Kingdom and its people".

After a period of tough negotiations that began in May last year and included October's Comprehensive Spending Review, it is clear that both UK science and the STFC received the undoubted support of Government, against an overall backdrop of spending reductions. Whilst the reductions to our capital allocations present some challenges, I am delighted that the hard work put in by colleagues across all the Research Councils and by the wider scientific community itself has been rewarded by Government with this settlement.

This good news, together with the publication of the STFC Delivery Plan 2011 – 2015 allows us to move forward with our plans for the coming years. Following the findings of the so-called "Drayson Review," and the support of Government after listening to our concerns, our Delivery Plan has been structured around the three budgetary partitions announced in March 2010 by the Government - international subscriptions, UK large facilities and our core programme. This approach will avoid the transfer of possible future financial pressures to other parts of the programme, especially university grants, and will ensure that the large facility operations meet the collective needs of the Research Councils.

We will continue to fund world-class science and technology, with high quality programmes for Particle Physics, Nuclear Physics, Astronomy and Astroparticle Physics in place. We will also continue to work with the UK Space Agency on the Space Exploitation programme. Following the priorities established in last year's consultation with our research communities, our programme includes access to the Large Hadron Collider at CERN and ESO telescopes and will ensure UK academics and industry are involved in the research and development of the proposed European Extremely Large Telescope and Square Kilometre Array, together with offering grant support for other projects. These tremendously exciting projects, all pushing at the boundaries of human knowledge and scientific understanding, will also all help to inspire the nation's young people into understanding more about the scientific world they live in and into pursuing careers in STEM subjects, thus ensuring that the UK has the future workforce that it needs.

We seek to capitalise on this excitement through our programme of communications, outreach and public engagement which engages with the public, both young and old, in schools, science festivals and public spaces and through the media across Britain. As an example, in Scotland the STFC supported initiative 'Dark Sky' has grown from strength to strength, with professional astronomers meeting and training local amateur groups and teachers, advising them on how best to stargaze in some of the UK's darkest skies and astronomy hotspots. In the past year we have also supported 300 secondary school teachers visiting CERN, offering them the opportunity to transfer the 'wow factor' of the world's largest science experiment

into the classroom. Our sites also continue to play a huge role in our public engagement with thousands of visitors being welcomed to Swindon, Harwell, Daresbury, Edinburgh and Chilbolton over the past year, experiencing our facilities first hand, meeting our scientists and learning more about what a career in science and research is like. This year, like those that have passed and those that follow, our communications, outreach and engagement with the public has remained a top priority for the STFC.

Our facilities and Campuses continue to be highly regarded by Government. In October 2010, it was announced that Diamond Light Source would receive funding for its phase III expansion, totalling £69m over the next four years. This will enable the construction of ten additional beamlines, allowing Diamond to operate 32 beamlines in total and maximise the facility's potential to support UK science and industry. To ensure that we realise this benefit, and in agreement with the other Research Councils, we are committed to operating Diamond at full capacity over the course of this spending round.

In addition to this, ISIS TS2 Phase II investment was announced by the Science Minister, David Willetts in March. An £11m investment in ISIS, which will fund the Chipir instrument – the first dedicated instrument outside the US to examine how silicon microchips respond to cosmic radiation - is excellent news for the facility. This was followed by an additional £10m investment in further instruments announced in the March budget.

The past year has also been an encouraging year for the UK's Science and Innovation Campuses, as their development continues to grow at a great rate, providing a very positive outlook for the years ahead. With His Royal Highness, Prince Andrew the Duke of York, as the Royal Patron of our Campuses, they are well placed to increase their standing worldwide as places for world-class science, innovation and business.

In Cheshire, we have signed a joint venture investment arrangement at the Daresbury Science and Innovation Campus with the property investment company, Langtree. As the Campus continues to grow and evolve, this relationship with our new private sector partner, Halton Borough Council and the North West Regional Development Agency, will allow the Campus to flourish with an estimated 6,000 new jobs expected to be created over the next 20 years.

In Oxfordshire, following on from the achievements of the Harwell Science and Innovation Campus's joint venture agreement with Goodman, the Campus has been renamed Harwell Oxford.

This year also saw the opening of the Research Complex at Harwell, a new multidisciplinary centre for the physical and life sciences which by the end of the financial year had become the home of five new multidisciplinary research groups funded by the EPSRC, examining a wide range of topics, including advanced imaging and catalytic processes in chemistry and biology. As the centre is a joint project between STFC, Diamond, MRC and three other research councils, its growth and success demonstrates the strength of the research done at Harwell Oxford.

While our current science and technology programme pushes the frontiers of our knowledge, this year has also been significant in recognising the legacy of discovery that has led us to this point. Fifty years ago, lasers were described as 'a solution looking for a problem'. Since then their application has been widespread and led to laser technology underpinning much of our modern world, whether it be in fibre-optic cables or in the reading of a compact disc or DVD. Lasers have become an essential tool of scientific investigation, from the high-powered lasers in our Central Laser Facility, which can recreate the conditions inside stars to compact, advanced, tuneable lasers capable of pinpointing individual particles.

2011 is also a remarkable anniversary in the history of science, marking 100 years since Ernest Rutherford's discovery of the atomic nucleus at the University of Manchester and the birth of an entirely new branch of physics.

It is clear, therefore, that 2010-11 has been a significant twelve months for the Science and Technology Facilities Council. I would like to echo the comments of the STFC Chairman, Professor Michael Sterling, regarding the hard work and commitment shown by my colleagues during this period. Their determination and endeavour are reflected in the successes of this year. As I begin my tenure, I would like to thank my predecessor, Professor Keith Mason for his great work over the past four years at the STFC. I am convinced that the STFC has developed the strong foundations from which it can achieve great things in the years to come and I look forward to helping STFC contribute fully to addressing the important scientific and technological challenges that face the nation and the world.

W. Jan Wren

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 2010-11 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>).

The STFC organisation

The 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 / ESO and research projects in support of a broad cross-section of the UK research community. The 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, formerly CLIK Knowledge Transfer). This technology exploitation company successfully manages commercial activity through spin-outs, licensing and trading.

The 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. The STFC is also a partner in a number of other joint venture arrangements : RCUK Shared Services Centre Ltd (SSC); Institut Laue Langevin (ILL); the Harwell Science and Innovation Campus Public Sector Partnership (HSIC PubSP); and the Daresbury Science and Innovation Campus Public Sector Partnership (DISC PubSP).

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 (FRM).

The STFC Financial Statements are the consolidation of the Council and its wholly owned subsidiary, STFC Innovations Ltd. The STFC 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. In compliance with this regime, the Council was required throughout the year to advise the BIS of its total forecast net expenditure for the year end, based on the requirement from HM Treasury to adhere as closely as possible to the forecast.

Adherence to this forecast required detailed and robust financial management, both in forecasting the annual outcome and ensuring rapid responses to the changing circumstances of the Council's substantial programme.

STFC's consolidated financial position was within 1.5% of its resource and capital allocation.

	Resource £'000	Capital £'000	Total £'000
Allocation	541.9	104.0	645.9
Outturn	534.6	106.0	640.6
In year underspend/(overspend)	7.3	(2.0)	5.3

In compliance with the appropriate accounting policies the Financial Statements show comprehensive net expenditure for the year of £628.7m. This is reconciled to the total outturn position as shown below:

	Notes	£000
Net expenditure for the year	Consolidated Statement of Net Expenditure	628,714
Funding from other bodies	Statement of changes in Taxpayers' Equity	(19,374)
Movement on provisions (not included in the resource allocation)	19	(17,538)
Property plant and equipment additions	12	32,327
Intangible additions	11	97
Joint Venture additions	13	28,499
DLSL consolidation adjustment*	-	(152)
Property, plant and equipment disposal and net write-off	12	(11,975)
Total outturn	-	640,600

*Due to a change in the budgeting treatment of DLSL during 2009-10.

Net expenditure for the year increased by £24.1m from £604.6m to £628.7m.

This was primarily due to:

- an increase in international subscriptions of £5.6m: attributable to an increase in the CERN subscription of £10m due to exchange rate movements offset by a reduction in the ILL subscription following an agreement to defer payments and the cessation of the Millennium Programme;
- an increase of £5.4m in joint venture funding as a result of the increase in DLSL operating costs associated with the additional beam lines now operational;
- an increase in other operating costs of £19.2m as a result of the creation of the provision in respect of STFC's share of ILL's decommissioning costs;
- an increase in depreciation of £8.6m due to the accelerated depreciation of the remaining synchrotron assets at Daresbury; additional depreciation charges on the capitalisation of a number of projects during the year and the impact of reduced asset lives arising out of the impairment review;
- an increase in restructuring costs of £4.8m; the prior year figure showed a significant reduction in expenditure following the review and release from the provision;
- an increase in the share of post tax losses of joint ventures of £1.6m as a result of increased losses within DLSL and SSC Ltd. ; and
- a reduction in income of £4.8m; funding streams on a number of large projects concluded in the prior year most notably on the Electron Model of Many Applications (EMMA) and grant funding for the upgrade of equipment within Applied Science.

These increases in expenditure were offset by:

- a reduction in research grants overall of £9.1m; the prior year included a one off payment of £11m in relation to High Performance Computing and the current year grant spend reduced in line with the 2009 prioritisation plan; and
- a reduction in expenditure on services of £14.3m and equipment and supplies of £5.6m. These reductions are in line with the reduced budget allocation compared to the prior year and associated impact on programmes.

Net assets as at 31 March increased by £0.1m from £896.2m to £896.3m. This was as a result of:

- an increase in the value of derivative financial instruments of £13.8m as a result of STFC's decision to enter into forward contracts for the remainder of the CSR period to reduce exposure to exchange rate fluctuations (see note 15 of the Financial Statements);
- an increase in trade and other receivables of £10.2m; due to a £4.9m debtor in respect of the amount owed by UKSA relating to the ESA subscription and an increase in the amounts owed by other Research Councils due to the scheduling of the year end payment runs in the SSC;
- an increase in investments of £7.3m as a result of the purchase of additional share capital in the SSC and DLSL of £11.1m and £17.4m respectively; offset by an impairment in the value of the DLSL investment of £20.5m; and
- an increase in cash holdings of £5.6m due to the timing of the year end payment runs within the SSC.

These increases in assets were offset by the following:

- a reduction in property, plant and equipment assets of £13.9m. In year additions of £33.3m and revaluations of £13.0m were offset by disposals of £11.7m and in year depreciation of £47.5m;
- an increase in trade and other payables of £4.5m; primarily due to an increase in amounts accrued at year end (£3.8m) following the transition to an automated accruals system for goods and services; and
- an increase in provisions of £17.5m following the creation of a provision in respect of STFC's share of the ILL decommissioning costs (£20.7m) offset by the utilisation of the restructuring provision and a decrease of the decommissioning provision for the Isaac Newton Group of Telescopes (ING) on La Palma and the Joint Astronomy Centre (JAC), Hawaii, of £1.6m.

STFC Directorates

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

- **Science Programme and Project work** : STFC's science and technology strategy, science operations and planning and international strategy;
- **Facilities Access and Development** : the management and operation of STFC's world class research facilities at RAL, Daresbury and the UK Astronomy Technology Centre (UKATC);
- **Knowledge Exchange** : the delivery and development of the effective transfer of knowledge between the STFC, universities, industries and other organisations;
- **Corporate Affairs** : STFC's administrative information systems and technology, estates management operations and support services, health, safety and environment, human resources, and security. The development and implementation of a strong and effective communication strategy and programme;
- **Finance**: financial management of STFC including long term financial planning.

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

Creditor payment policy

The Council observes the Confederation of British Industries' Code of Practice. The Council adheres to the principle of the prompt payers code and makes every effort to comply with the agreed terms of payment of creditors' valid invoices for goods and services received. During 2010-11 92.8% (2009-10 : 92.0%) of undisputed invoices received by the Council were paid within 30 days.

In line with the Budget 2010 announcement that all central government departments are required to aim to pay 80% of all undisputed invoices within 5 days, effective May 2010, STFC has moved towards making payments within 5 days. During 2010-11 49.6% (no 2009-10 comparison available) of undisputed invoices received by the Council were paid within 5 days. This figure is below the 80% target and reflects a period of stabilisation following migration to the RCUK Shared Services Centre Ltd.

Going concern

The STFC Accumulated Income and Expenditure Reserve carried forward at 31 March 2011 shows a surplus of £774.8m.

Under the Comprehensive Spending Review 2010, STFC has received financial allocations for resource and capital for the years 2011-12 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.

Governance

The Science and Technology Facilities Council 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 and the Parliamentary Ombudsman.

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.

Council, Executive Board and Committees

The Council, STFC's governing body, was appointed in April 2007 by the Minister for Science and Innovation. Council members are drawn from a combination of academics and business backgrounds.

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, and staff recruitment and retention as well as representational duties.

In the discharge of its responsibility Council is supported by a number of support and advisory structures.

Council membership and attendance 2010 –11

Attendance

Chairman

Professor Michael Sterling FREng 11/11

Chief Executive

Professor Keith Mason 11/11

Members

Mrs Gill Ball, University of Birmingham (appointed 1 April 2010) 10 /11

Professor Martin Barstow FRSA FInstP, University of Leicester 11/11

Professor Keith Burnett CBE FRS, University of Sheffield* 8/11

Mr Marshall Davies, Independent Advisor 10/11

Mr Philip Greenish CBE, Royal Academy of Engineering* 10/11

Dr Michael Healy, Astrium 8/11

Dr Philip Kaziewicz, GI Partners* 7/11

Professor Sir Peter Knight FRS, Imperial College London 10/11

Professor James Stirling CBE FRS, University of Cambridge 11/11

Mr Will Whitehorn, Loewy Group (appointed 1 April 2010) 7/11

* Term of appointment ended 31st March 2011

In accordance with the Council's Royal Charter, members are appointed by the Minister for Science and Innovation for a term of office not exceeding four years. All of the all the above-named were deemed to be independent with the exception of the Chief Executive who is a STFC employee. Any financial or business relationships with STFC are listed in the Register of Members' Interests and in the Related Party Transactions (see note 22 to the Financial Statements).

Mr Marshall Davies was assigned responsibility for investigating and advising on confidential whistle-blowing cases. Mr Paul Williams, BIS, was observer to STFC Council during 2010-11 on behalf of the Secretary of State for Business, Innovation and Skills.

Minutes of the Council's meetings are available on the STFC website at <http://www.stfc.ac.uk/131.aspx>

Register of members' interests

A register of Council Members' private, professional and commercial interests was maintained by the Council. The register is also available on the STFC website at <http://www.stfc.ac.uk/141.aspx>

The 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. Recognising that in practice many of these activities are delegated by the Chief Executive, Council created the Executive Board to support the Chief Executive, and thereby the Council.

The responsibilities of the Executive Board that are delegated by Council are to:

- support the STFC's council;
- deliver STFC's mission;
- develop proposals for Council relating to the organisation's mid-to-long term strategic direction;
- implement effective financial (including CSR/SR bid) planning;
- implement robust and effective governance, including financial policy/procedures;
- support and develop the appropriate advisory structures;
- oversee reputational & stakeholder relationship management, including with government;
- oversee effective succession planning & approve senior appointments;
- define and cascade appropriate organisational culture and ethos;
- have responsibility for the investment appraisal regime and to approve capital and revenue commitments under a threshold amount approved by Council;
- make executive decisions on matters having a material impact on the organisation (including reputational, legal/regulatory) within the delegated authority granted by Council;
- approve legal and regulatory compliance policies, including Health and Safety; and
- approve HR policies.

Executive Board is also responsible for financial approvals capital investment decisions and other financial decisions:

- that exceed £5m capital and/or associated operating costs of £100,000 or above per annum;
- that are assessed as 'High Risk' in line with the risk appetite stated by Council from time to time;
- that have specifically been called in by the Board or referred to the Board by Council or Operations Board;
- that are outside the specific delegation cascaded by the Chief Executive through the 'STFC Scheme of Delegation';
- where material conflicts of interest may surface in referral to Operations Board; and
- any novel or contentious decisions as defined within the STFC Financial Memorandum.

The Chief Executive and Executive Board delegate oversight of operational activity to the Operations Board.

The Programme Board makes recommendations to Executive Board for Executive Board decision and is responsible for recommending overall programme priorities and resource allocation to Executive Board. Programme Board does not concern itself with in-year operations management (the purview of Operations Board), nor in-year financial management, personnel issues or project management.

Membership and attendance 2010-11:

Attendance

Professor Keith Mason – CEO	36/36
Professor Richard Wade – Chief Operating Officer and Deputy CEO	34/36
Professor Colin Whitehouse – Director of Campus Strategy and Deputy	32/36
Mr Gordon Stewart – General Counsel and Director, Corporate Affairs	36/36
Jane Tirard – Director, Finance	34/36
Mr Paul Hartley – Director, Corporate Services	29/36

In attendance

Mr Terry O'Connor – Director, Communications	31/36
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The Executive Board is chaired by Professor Keith Mason and Council appoints the membership to the Board.

Professor John Womersley took over as Chief Executive on a four year term commencing on 1st November 2011.

Committees

Audit Committee

The Council has established an Audit Committee to review internal and external audit matters, internal control and risk management, and the Council's accounts. The Committee met four times during the year.

The Audit Committee's Terms of Reference were reviewed in April 2011 and ratified by Council in May 2011.

Membership and attendance 2010-11:	Attendance
Chair	
Mr Marshall Davies, Council Member	4/4
External members	
Mrs Gill Ball, Council Member (appointed to Audit Committee in June 2010)	4/4
Dr Derek Chadwick, Novartis Foundation	3/4
Mr Rob Low, Independent Advisor	4/4
Mr Ric Piper MA FCA, Independent Advisor	3/4

Remuneration Committee

The remuneration of the senior staff in STFC is determined by the Council's own Remuneration Committee. See the Remuneration Report (page 31) for further details. The Committee met twice during the year.

Membership and attendance 2010-11:	Attendance
Chair *	
Mr Philip Greenish CBE, Council Member	2/2
Members	
Professor Keith Mason, Chief Executive	2/2
Mr Marshall Davies, Council Member	2/2
Mr Paul Hartley, STFC (Secretary)	2/2

*Mrs Gill Ball, Council Member, took over as Chair of the Remuneration Committee in May 2011.

Further details on the STFC Council and its advisory committees are available on the STFC website at <http://stfc.ac.uk/147.aspx>

Political and charitable gifts

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

Freedom of information

During 2010-11 STFC received 29 formal requests for information. 20 responses were made under the terms of the Freedom of Information Act 2000. All responses were sent within the required 20 working day timescale. One request required an internal review.

Nine requests were dealt with under the Data Protection Act (all were for Grant reviewer's comments). All responses were made within the required 40 calendar day time frame.

The 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 Internal Audit Service.

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 2010-11 was £185,000.

No non-audit work was undertaken by the NAO during 2010-2011.

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.

Performance and related trends

This report covers the fourth year of operation of STFC during the final year of the 2007 Comprehensive Spending Review (CSR07) 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 'traffic light' based reporting system. The Scorecard is reviewed by Council and submitted to BIS for comment.

In 2010-11, STFC reported against 90 detailed ongoing targets, of which 94% were met in full by the target date. A total of 9 targets were at the strategic-level. Three of these (33%) were classed as 'amber' (at risk) at the year-end.

During April 2011, one target was completed and can now be classed as green.

Report bi-annually on VfM Efficiency Programme achievement

Despite the reporting problems that led to incomplete returns throughout much of the year, STFC was finally able to make a full return for the year end. This showed that we had exceeded our annual target savings by £705k against the target of £47.961m.

Two targets remain at amber, and will be closely monitored to ensure they can be resolved as soon as practicable.

Launch the Hartree Centre

Objectives are being pursued through a phased approach. Grand Challenge applications are being developed through STFC allocation and development of funding proposals with other agencies. Establishment of a well-found laboratory for High Performance Computing (HPC) – Research and Development - is being pursued as part of the capital

allocation to the Daresbury Science and Innovation Campus. Inwards investment opportunities are being pursued with major Blue Chip companies. A proposal for a High Performance Computing Technology and Innovation Centre has been put forward to the Technology Strategy Board.

Launch the Detector Systems Centre (DSC)

The removal of the capital component for the DSC led to a revision of its mission and operation and this has been worked through during the year by setting up agreements with external agencies and companies. The recent potential allocation of capital for the interconnect centre at DL has meant that a further component of the DSC should be implemented in 2011-12.

Large-scale facilities

Throughout 2010-11 STFC continued to maintain high quality service to users of the existing facilities (ISIS, Central Laser Facility (CLF), Diamond Light Source, European Synchrotron Radiation Facility (ESRF) and Institut Laue-Langevin (ILL)) whilst developing programmes of on-going development to sustain their operational performance and enhance their capabilities.

Major achievements during 2010-11

World Class Research

The UK sustained its position as 1st in the world for research quality in astronomy and particle physics and 2nd in nuclear physics as measured by citation impact; STFC's stewardship of these disciplines includes funding a world-class research programme and providing UK access to the world's best scientific facilities in these areas.

We sustained the world class capability of the UK's large science facilities; at the Diamond Light Source we made two new beamlines operational during the year, taking the total number operational to 19; and at our ISIS pulsed neutron source we made 5 new instruments operational, performed a major upgrade to an existing instrument, and successfully completed a challenging refurbishment operation during a six month shutdown. The UK facilities collectively hosted over 1,500 user experiments, generating around 1,000 world class papers in peer reviewed journals in the fields of medical, biological, materials, heritage science and engineering research.

World Class Innovation

Substantial progress was made in the development of the national Science and Innovation Campuses with the formal establishment of a public-private sector joint venture for the Daresbury Campus with Langtree. Daresbury Campus is home to 100 companies that employ 337 people, an increase of 13% in 2010. The Joint Venture will develop the science and innovation facilities for high-tech businesses and supporting infrastructure, bringing more than 6,000 new jobs to the North West over the next 20 years.

The value of both the Daresbury and Harwell Oxford Campuses was further recognised by our ability to attract the official patronage of his HRH Duke of York, and to generate an additional £10m of public sector investment at Daresbury and £12m into the International Space and Innovation Centre at Harwell.

World Class Skills

Applications for physics courses at university in 2010-11 were up by more than 17% on the previous year and in astronomy by an astonishing 40%. The high profile and very visible research funded by STFC has been shown to attract 90% of these students to their studies and we have worked closely with the Institute of Physics to further encourage students to study Science, Technology, Engineering and Mathematics (STEM) subjects, directly engaging with teachers, school pupils and the general public.

In 2010-11 we sustained our PhD award level in astronomy, particle physics and nuclear physics, with 235 new PhD studentships awarded. In addition to directly-funded activities, we also exploited our laboratories and facilities as unique training centres with more than 700 students, funded by other Research Councils, receiving more than 7,000 PhD training days last year - an increase of 28%.

Strategy Development

In December 2010, STFC published its Corporate Strategy which sets out a clear direction for the organisation over the next 10 years. Our strategy was developed to deliver our vision, which is to maximise the impact of our knowledge, skills, facilities and resources for the benefit of the United Kingdom and its people. We will achieve our vision by delivering a combination of world class research, innovation and skills - the three goals which form the core of our strategy. Our strategy also outlines six strategic themes that focus our approach in delivering the strategic goals and three strategic enablers which are critical to our ability to deliver this strategy.

STFC's vision and strategy recognise the contribution of fundamental research to society and the benefits that can be garnered from that research. These benefits flow on a range of timescales and are often intertwined and hard to predict. This is why a critical part of our strategy is the formulation of success measures which will outline and measure the impact of each of our strategic goals, themes and enablers. The success measures are long term, high level metrics which will allow STFC to measure our progress against each element of our corporate strategy. These measures are being developed during 2011 and progress will be reported on an annual basis.

Operational initiatives

During 2010-11, the STFC continued to take forward major capital expenditure, including:

ISIS Instrument Development and Machine Sustainability

The ISIS pulsed neutron facility is now operating a total of 29 instruments from its two Target Stations covering research in clean energy and the environment, pharmaceuticals and health care, through to nanotechnology, materials engineering and IT. To maintain its world class capability, ISIS has made significant investment into major instrument and machine upgrades. A new Main Magnet Power Supply, several accelerator magnets and a new muon instrument (HiFi) were both installed and commissioned during 2010-11. Two other new instruments (POLARIS and PEARL) are in the final stages of manufacture and will be commissioned during 2011.

Preparatory work for TS2 Phase II has continued, with detailed engineering design of the four instruments complete. Funding from BIS of £21m for these instruments was recently announced and negotiations continue to secure additional international contributions.

Harwell Oxford (formerly Harwell Science and Innovation Campus)

The Campus Joint Venture between STFC, UKAEA and Goodman continued to mature throughout the year. The Campus has been re-branded as Harwell Oxford to capitalise on the universally recognisable links to Oxford both as a destination and as one of the world's leading centres of academic learning. Throughout the year work has progressed on refurbishing large parts of the Electron Building to create the first Campus Centre. This will become the home of the International Space Innovation Centre (ISIC) which is a example of Government, academia and industry coming together to deliver a capability that could not be achieved by the constituent parts working in isolation.

The campus continues to provide a significant economic benefit to the local community with over 120 tenant organisations conducting business from the Harwell site. The European Space Agency has continued to increase its presence on the campus and has doubled the number of permanent staff located in Harwell. This growth is set to continue for the foreseeable future with new programmes and projects being planned.

Daresbury Science and Innovation Campus (DSIC)

The Daresbury Science and Innovation Campus project team's work, in partnership with the Northwest Regional Development Agency (NWDA) and Halton Borough Council, in securing a private sector partner for the campus came to fruition with the confirmation in December 2010 that Langtree, a private sector property investment company had been selected and Government approval given to proceed with the public-private joint venture. This firmly established the award winning Daresbury SIC as one of the world's principal locations for scientific research, innovative technology development and entrepreneurial collaboration.

The 20-year joint venture creates a 50:50 partnership between the public and private sectors and is anticipated to bring more than 6,000 jobs to the area during its lifetime, attracting further domestic and international positive inward investment in world class scientific research and innovation. Under the agreement, STFC will contribute involvement in major public sector science programmes and a proactive approach to ensuring fundamental research can be harnessed and exploited by innovators, entrepreneurs and industry. Langtree will develop 1 million square foot of space for science and innovation facilities, hi-tech businesses and supporting infrastructure for the Campus, which has already benefitted from significant investment from the NWDA. NWDA funded the construction of the new Vanguard House building to complement the Daresbury Innovation Centre (DIC) and Cockcroft Institute buildings already on campus.

More than 100 high tech companies, most of which are SMEs looking to find innovative solutions to global challenges including energy, healthcare, security and the environment, are housed in the DIC and the STFC-led Innovations Technology Access Centre (ITAC) on the Daresbury Laboratory site. ITAC has brought together STFC scientists, university researchers and commercial companies in a unique laboratory environment and was rewarded for this at the Chemicals Northwest Awards in August where they were runner up in the Service Provider award highlighting the excellent offering to both business and academic researchers.

The campus continued to work closely with its key stakeholders the Northwest Regional Development Agency (NWDA), the Technology Strategy Board (TSB), Halton Borough Council, the newly formed neighbouring Local Enterprise Partnerships (Liverpool City Region, Cheshire and Warrington, and Greater Manchester) and the three leading North West Universities (Lancaster, Liverpool and Manchester) to deliver science and technology based solutions for research and commercial projects.

Infrastructure Sustainability Programme

In 2010-11 work has continued across the STFC property portfolio to address the many areas where buildings and infrastructure have, through lack of investment, fallen below an acceptable level.

At the UK Astronomy Technology Centre (UK ATC) in Edinburgh the replacement of the copper domes project was completed in November. This was a major milestone for the UKATC as the copper sheeting on the Grade A Listed Observatory building had deteriorated significantly. The project threw up a number of unique problems which required specialist skills, particularly stone masonry, to ensure the standard of workmanship met the exacting requirements of Historic Scotland; the stonework, copper work and lead work will guarantee the building's integrity for the next 100 years.

At Daresbury decommissioning of the Synchrotron Radiation Source (SRS) has reached completion; the SRS buildings will be used to house the new Accelerator Centre. One of the larger buildings on the site, S Block, has been refurbished and houses the Engineering Technology Centre, a one stop shop for advanced engineering.

The Rutherford Appleton Laboratory has benefitted from a new electrical sub-station and a new ring main has been laid around the site to enhance the electrical distribution system and improve its resilience. In December the second accommodation wing of The Ridgeway House opened doubling the number of on-site rooms available for visiting scientists and researchers to 120. Throughout the year work has continued to replace inefficient central steam boilers with modern, local gas condensing boilers; this project is significantly reducing the consumption of natural gas and helping to minimise STFC's carbon footprint.

Personal data related incidents

Incidents, the disclosure of which would in itself create an unacceptable risk of harm, may be excluded in accordance with the exemptions contained in the Freedom of Information Act 2000 or may be subject to the limitations of other UK information legislation.

TABLE 1: SUMMARY OF PROTECTED PERSONAL DATA RELATED INCIDENTS FORMALLY REPORTED TO THE INFORMATION COMMISSIONER'S OFFICE IN 2010-11				
Previous years Statement on information risk	<p>During 2009-10, the internal project to review, revise and update the internal arrangements for the management of information risk continued. It has:</p> <ul style="list-style-type: none"> • Issued clear guidance to staff on how to identify sensitive data; • Issued clear guidance and best practice to protect sensitive data; • Provided a number of tools to staff for the protection of sensitive data; • Implemented the cross Council Protective Marking Policy; • Raised awareness with staff on the need to protect data; • Identified Information Asset Owners. <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 Security Policy Framework (SPF).</p> <p>During 2009-10 STFC had eight incidents or near misses where a Personal Protected Data (PPD) was or could have been put at risk. Subsequent investigations have resulted in changes in local working practices that have reduced the likelihood of these events occurring again.</p> <p>The STFC has in place arrangements to monitor and assess its information risks and will continue to identify and address any weaknesses and ensure continuous improvements of its systems.</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
Further action on information risk	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 not to fall within the criteria for report to the Information Commissioner's Office but recorded centrally within the Department are set out in the table below. Small, localised incidents are not recorded centrally and 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 2010-11, no laptops used by STFC staff were lost or stolen.

During 2010-11, two USB drives used by STFC staff were lost. In both cases, no personal or sensitive data was stored on the drives. One mobile phone was declared lost and then subsequently found.

On one occasion during 2010-11, an e-mail message containing contract information was sent to Research Council colleagues in Polaris House using the wrong level of data encryption. While this posed little or no risk to STFC, additional guidance was given to the staff group on the appropriate encryption tools.

Statement and actions on managing information risk

During 2010-11, RCIAS conducted an audit of Information Assurance arrangements within STFC (ST16-1011). While this concluded that there was Substantial Assurance, it did recommend:

- Improving the risk management approach within information security and assurance;
- Developing and resourcing a plan to improve the annual scoring against the HMG Security Policy Framework (SPF);
- Implementing all the actions recommended in the previous 2009-10 information security audit.

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.

During 2010-11 STFC had six near misses where Personal Protected Data (PPD) was or could have been put at risk. Subsequent investigations have resulted in changes in local working practices that have reduced the likelihood of these events occurring again.

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.

Safety, health and environment issues

The STFC continues to maintain a safe and healthy working environment for its employees, contractors working on its behalf, tenants located at its laboratories, visitors to sites and users of facilities. The STFC Health and Safety Policy, developed and launched in 2007 was reviewed and re-issued by the STFC SHE Committee and the Chief Executive in 2010.

Health and safety management in the STFC is based on the establishment of clear line management responsibility for health and safety. In addition the Chief Executive appoints Directors at each of the major STFC laboratories to maintain an independent overview of health and safety on the site, to monitor the implementation of Council Policy, and to bring to his attention the need for any action to improve health and safety performance.

Health and Safety committees are a key component of the 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 also provide a forum through which employee safety representatives can raise areas of concern. Independent of the Departmental and Site safety committees, the STFC Safety, Health and Environment (SHE) Committee, chaired by a Deputy CEO, provides a focus for reviewing and developing the overall STFC SHE Management system, and approving the launch of new codes.

The STFC SHE Group including site Radiation Protection Advisers (RPAs), and Occupational Health professionals monitor corporate SHE performance against a basket of input and output SHE metrics, and advise management, and Site and Departmental Health and Safety committees.

During 2010-11 the STFC made further significant progress in developing its SHE Management Systems:

- A further five SHE codes have been developed and launched across the STFC;
- Departmental SHE improvement plans continue to provide the focus for reviewing and driving SHE improvement activities, with increasing focus on Environmental matters;
- During 2010-11 nine SHE compliance audits were undertaken to provide independent assurance to senior management of the implementation of the STFC SHE management system and to recommend improvements;
- Improving SHE communication remains a key STFC focus, and in addition to proactively sharing learning from SHE incidents using 'What, Why, Learning' posters, and SHE Notices, the SHE website provides the focus for SHE matters for STFC staff and those that work at STFC sites;
- During 2010-11 STFC SHE Group continued to deliver an extensive programme of SHE training courses to staff and others working at STFC sites. Approximately 3000 course places were delivered in 2010-11, including ~600 places on a new suite of three radiation training courses and deployment of on-line SHE training courses; and
- The first STFC SHE Culture Survey, undertaken at the end of 2009-10, was reviewed and analysed. The commendable 44% response rate revealed a very healthy SHE culture within the STFC. Detailed survey findings have been reviewed at 1 day Department specific workshops and improvement actions planned.

The principal STFC laboratories, Daresbury (DL) and Rutherford Appleton (RAL), both again received Royal Society for the Prevention of Accidents (RoSPA) Awards, for their health and safety management practices and overall health and safety performance. Both Laboratories received RoSPA President's Award for achieving over ten consecutive years of Gold Awards.

Accident and near-miss reporting and investigation continue to be important drivers of improvement in the STFC SHE management system, and provide the basis of objective reporting of health and safety performance. Focusing on near-miss reporting continues to be successful and more near-misses are now reported than incidents – each reported near-miss provides the STFC with the opportunity to address its root cause and minimise the potential for future repeat incidents.

STFC injury statistics are presented in the table below:

Statistics	2010-11	2009-10
Total injuries to employees	78	99
Total injuries to contractors	23	43
Total injuries to users/visitors/tenants	25	16
All Injuries	126	158
Reportable injuries to employees	4	6
Reportable injuries to contractors	1	2
Reportable injuries to users/visitors/tenants	1	0
All reportable injuries	6	8
Reportable* Injuries per 1000 Employees*	2.15	3.17**

* Injuries which must be reported to the Health and Safety Executive (HSE) under the Reporting of Injuries, Diseases, and Dangerous Occurrence Regulations (RIDDOR), including all that result in more than three days absence from work.

** Figure revised due to provision of actual rather than estimated employee numbers.

The total number of injuries to STFC staff, contractors and others working at STFC sites in 2010-11 was 126 a 20% reduction compared to the previous year. There was a significant fall in injuries to staff and contractors (the latter reflecting a general reduction in contractor activity on STFC sites in 2010-11). The number of reportable injuries in 2010-11, 6, is lower than in previous years.

When the STFC was established, liability for employment-related matters and historical liabilities transferred to it from the Rutherford Appleton and Daresbury Laboratories as well as the Chilbolton Observatory and the UK Astronomy Technology Centre (UK ATC). 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 Health and Safety Executive (HSE) recommendations, all asbestos has been recorded in the STFC Asbestos databases, and the policy is to manage all asbestos and to remove it only where there is a risk that it will be disturbed or where it poses some other unacceptable risk.

Occupational Health teams at STFC sites, in addition to employment and hazard specific health screening and surveillance, and managing first aid teams, continued to participate in and support a range of national health initiatives alongside regular 'Life Style Screening'. A range of activities and initiatives were supported during 2010-11 to promote healthier lifestyles. These included launching the 'Cycle to work' scheme; 'No Smoking Day', 'Men's Health Week', 'Know Your Numbers', holistic therapy services, and events highlighting a range of lifestyle health matters: smoking; weight; mental health; heart health; audiology, sexual health; and bowel cancer.

Radiological safety

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

Landauer Inc. continued to provide the STFC with a Health and Safety Executive (HSE)- approved dosimetry service during 2010-11 and made all statutory returns to both the HSE's Central Index of Dose Information (CIDI) and the Health Protection Agency's National Registry for Radiation Workers (NRRW). Personal doses continued to be low.

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

DL

At Daresbury Laboratory the SRS Decommissioning Project continued to conclusion in 2010-11. A very large number of SRS components and shielding materials were monitored for induced radioactivity, with active items segregated into secure storage for further assessment and subsequent controlled disposal as radioactive waste. The majority of this waste was disposed of in March 2011, very significantly reducing the legacy of radioactive materials at DL.

In 2010 DL was inspected by an Environment Agency Radioactive Substances Inspector and Counter Terrorism Security Adviser from Cheshire Constabulary. This annual inspection raised no significant issues.

The ALICE and EMMA commissioning programmes continued. Electrons were transported and accelerated around the full EMMA ring with subsequent extraction along the diagnostic beam line. Radiation surveys carried out at each of these commissioning milestones confirmed the acceptability of the protection provided by the shield walls.

The RPA provided support to the new Security Futures Laboratory, a collaborative project undertaken by STFC and Rapiscan Systems Ltd, advising on the content of local rules and prior risk assessment and carrying out radiation surveys on first operation of X-ray generating equipment.

The table below shows the results of monitoring of DL classified radiation workers during 2010. All doses were well below the statutory annual limits specified in the Ionising Radiations Regulations 1999; the annual dose limit for employees is 20 mSv and that for members of the public 1 mSv.

Year	Dose (mSv)				Total Persons
	0.00 - 0.09	0.10 - 0.49	0.50 - 0.99	> 0.99	
2009-10	7	0	0	0	7
2010-11	6	0	0	0	6

In addition 29 non-classified workers are provided with regular personal dosimetry as part of the Laboratory's demonstration that doses are ALARP.

RAL

A series of new projects necessitated RPA advice and assistance during 2010-11, including: the ISIS Down Stream EPB Proton Window Replacement; MICE; new/modification to ISIS beam lines; x-ray set critical examinations; risk assessments; review of dosimetry management; and development of radiation SHE codes. The ISIS Down Stream EPB Proton Window Replacement project was successfully completed with doses to persons being kept below investigation levels and design constraints.

A routine visit by Euratom inspectors resulted in a non-compliance report concerning the administration and accounting of safeguarded nuclear materials. In response, a complete and thorough review of the management of safeguarded nuclear materials was carried out, new procedures developed and documented. Following a successful re-examination, the Euratom inspectors praised the standard of accountancy procedures and records established.

Following a familiarisation visit by a new Environment Agency inspector the STFC were invited to submit a variation to its site permit for the accumulation and disposal of radioactive materials to meet the changing operational needs of the RAL site following the commissioning of the ISIS second Target Station (TS2). Submission of the variation necessitated consideration and documentation of a Best Available Technology (BAT) and Radiological Dose Assessment for the proposed radioactive material disposal channels.

Annual doses remained within the upper dose range investigation level of 3 mSv for ISIS classified workers and below the dose investigation level of 1 mSv for other RAL employees and contractors. Annual personal doses remained below 0.3 mSv for members of the public at large.

During 2010 367 classified radiation workers and 136 non-classified workers, including contractors, were provided with regular personal dosimetry as part of the Laboratory's demonstration that doses are ALARP.

The following table presents the results of personal radiation dose monitoring 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	
2009-10	376	95	17	8	4	0	0	500
2010-11	303	139	32	21	8	0	0	503

The comparatively lower numbers of persons in the dose range 0.10 to 0.49 mSv for 2010 partly reflect the spread of personnel over two target stations since commissioning ISIS TS2 where a lower radiation background is present. The higher number of persons in dose ranges above 1.00 mSv was due to ISIS long shutdown work involving ionizing radiation dose.

Environment

Development of the STFC Environmental Management Systems (EMS) continued. Key achievements include:

- Launch of SHE Code 31: “Disposal of controlled and hazardous wastes”;
- First review of the STFC Environmental Policy and improvement plan by the STFC SHE Committee giving greater profile to Environmental management; and
- An Environmental Aspects and Impacts Assessment to prioritise environmental improvements at the DL site was completed as a template for remaining STFC UK sites.

Consolidation of environmental legislation and establishment of a single ‘permitting’ regime resulted in required exemption permits for some minor waste operations undertaken on STFC sites for example chipping and mulching. A legislative compliance review was carried out and STFC has all its required exemptions in place.

As a large electricity user the STFC registered with the Government CRC Energy Efficiency Scheme in 2010-11. STFC submitted baseline energy usage data and will incur charges based on this data in 2012-13.

To raise employee awareness of environmental issues across the STFC a range of activities have been commenced:

- An employee Environmental Improvement Suggestion Scheme has been established. In its first “call” over 50 ideas were submitted for consideration by site Environment Committees;
- Using established internal communication tools, an issue of *in.brief*, STFC’s internal magazine, dedicated to STFC environmental improvement activities was issued raising awareness of environmental improvements across the STFC. For example: reducing energy consumption at the UKATC by close monitoring of usage; the introduction of Dry Mixed Recycling (DMR) waste management on the RAL site; the STFC ‘Cycle to Work’ scheme; the recycling of scientific equipment from the decommissioned SRS to new synchrotron light sources; replacement of steam boilers by high efficiency condensing boilers significantly reducing gas and water usage at RAL; the RAL “Rocket” an accelerated composter turning kitchen food waste and grass cuttings into compost for use on site; and the accreditation of Polaris House to the internationally recognised environmental management standard, ISO14001.

The following table details STFC utility usages:

UTILITIES	Site	2010-11	2009-10
Electricity usage (kWh)	DL ¹	10,866,659	16,877,192
	RAL ⁵	80,424,854	98,357,100
	SO ²	361,633	313,231
	ROE	1,530,413	1,599,665
	ING	1,292,367	1,283,430
	JAC	1,654,023	1,601,900
	TOTAL		96,129,949
Natural Gas usage (kWh)	DL	2,351,025	2,722,327
	RAL	13,156,788	11,377,185
	SO ²	153,850	153,089
	ROE	1,533,657	1,404,395
	ING	0	0
	JAC	0	0
	TOTAL		17,195,320

Propane Gas usage (kWh)	DL	118,743 ³	283,824
	RAL	0 ⁴	59,000
	SO ²	0	0
	ROE	0	0
	ING	0	0
	JAC	0	0
	TOTAL	118,743	342,824
Water usage (m ³)	DL ¹	4,040	4,745
	RAL ⁵	111,615	150,813
	SO ²	1,432	1,700
	ROE	2,600	5,220
	ING	60	60
	JAC	496	490
	TOTAL	120,243	163,028

¹ Significant reductions in DL electricity and water usage followed SRS and HPCx closure.

² All Swindon figures are based on a % of site total for the Polaris House campus, 2010-11 – 9%.

³ Reduction in DL propane usage reflects closure of site hostels.

⁴ Commissioning new RAL kitchens have removed the need for propane consumption in temporary kitchens.

⁵ Significant reduction in RAL electricity and water usages reflected major shutdown of ISIS in 2010-11.

As previously noted a range of radioactive materials arising from the decommissioning of the SRS at DL were disposed under the DL site EA Certificate of Authorisation during 2010-11 as Very Low Level Waste (VLLW).

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 100 GBq of tritiated water vapor and 5.8 TBq of other nuclides were typical of previous years and well within the authorised 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 Certificate of Authorisation: 3.64 m³ (0.13 MBq alpha, 20.7 MBq beta/gamma and 15 GPq tritium) of solids; 185.8 m³ (74 GBq tritium and 260 MBq beta/gamma) of water; 0.77 m³ (4.25 GBq tritium and 0.4 MBq of beta/gamma) of organic liquid waste. Safeguarded, solid uranium metal (4.216 kg) was also consigned for recycling.

Social and Community Issues

Employee Relations and Communication

Constructive and effective joint working and partnership between STFC management and employee representatives continued throughout the year, both at site and corporate levels. During the year consultation and negotiation took place over a wide range of issues, including pay, appraisal, the RCUK Shared Services Centre and resource planning.

Equality and diversity

The Council maintained its strong commitment to equality of opportunity in the workplace and realising the benefits offered by the wider range of skills, experience and attitudes that a diverse workforce brings. STFC is a member of the Employers' Forum on Disability and has worked closely with the UK Resource Centre for Women in Science Engineering and Technology.

A particular highlight during the year was the granting to STFC of the UK Resource Centre's Science, Engineering and Technology (SET) Fair award for gender equality, gaining the middle of three levels of award.

Further progress has been made in the STFC's programme of Equality Impact Assessments, the Diversity Forum has continued to meet and equality and diversity information is made available to staff through the intranet and the in.brief magazine. Availability of the half-day introductory course on diversity in the workplace (entitled "Appreciating Difference") has been continued.

The STFC supports a number of initiatives aimed at improving the gender balance among the STEM workforce and at senior management level, including a WiSTEM network and a leadership programme for senior women. A survey was completed of STFC's maternity provision and processes and as a result maternity buddies are being introduced to provide additional support for women going on and returning from maternity leave.

STFC's Two Ticks 'Positive about Disability' accreditation was renewed in 2010 and a small disability network has been established. Availability of a half-day disability awareness course continues.

As at 31 March 2011:

- The average age of employees in STFC was 44.1 years;
- 4.7% of employees were non-white. The majority of non-white staff were to be found in middle to senior management positions;
- 22.5% of all employees were female. STFC, in addition to offering a range of flexible working patterns to support work-life balance, was also engaged in various initiatives to encourage women back into the workplace in science, engineering and technology posts, and to support employees through mentoring and network groups; and
- STFC had no accurate data on the numbers of disabled employees because employees were not required to declare. Less than 1% of staff were known to be disabled.

Learning and development

STFC continues to invest significantly in developing the scientific, technical, specialist and managerial competencies of its people by providing access to off- and on-site courses and learning resources, supporting attendance at national and international conferences, encouraging and supporting staff to obtain professional qualifications and supporting a mentoring scheme.

To reinforce its drive to improve leadership and management capability, an electronic system was introduced to support the manager feedback process based on the organisation's "CRISTAL" management competency framework.

STFC continues to run a highly regarded engineering apprentice scheme which has achieved Institute of Engineering and Technology (IET) accreditation, and a graduate training scheme which is accredited by the Institute of Mechanical Engineering (IMechE), the IET and the Institute of Physics (IoP).

Investors in People

STFC is using the revised IIP standard to help drive its improvement programme. The STFC IIP Forum has continued to develop and implement initiatives to address recommendations made in the last review and is looking forward to the next review.

STFC sickness absence 2010-11: summary of key findings

STFC actively manages sickness absence to minimise the impact on its work programme. Data are 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 have been abstracted from a composite analysis of absence records across STFC's UK sites.

Establishments over the period 1 April 2010 to 31 March 2011:

- the total number of working days lost to sickness absence over the period was 7,310;
- the derived absence rate (days lost per person) was 4.1; the headline absence rate (days lost per fte) was 4.2;
- the level of self-certificated absence was 3,209 days; medically-certificated absence was 4,101 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 33.8% of the total days lost; and
- the causes resulting in the largest working time losses were colds/coughs/influenza (17.8% of days lost to sickness), surgery/ post operative recovery (9.5%) and accident / injury (5.8%).

STFC is regarded by the Civil Service as a medium sized employer. The 2010-11 headline absence rate of 4.20 days per fte, though higher than the equivalent 2009-10 figure of 3.58 days per fte, compares favourably with a range of Civil Service departments and agencies in this group (based on quarterly absence statistics for the 2010 calendar year published recently by the Cabinet Office). Using the Civil Service measure of available working days per fte (225), the headline absence rate represents lost time of 1.87%.

RCUK Shared Services Centre Limited

As agreed by the seven Research Councils, the Shared Services Centre (SSC), based in Swindon was set up in 2007-08 following its incorporation as a limited company (RCUK Shared Services Centre Limited). The SSC has been developed to provide finance, grants, human resources, information systems, procurement and payroll operational services to each of the Councils and their Institutes. The aim of the SSC is to reduce spending on administration through the consolidation of demand across the Councils.

At the start of 2010-11, STFC was already receiving services from RCUK Shared Services Ltd for procurement, ITC services in Polaris House, Swindon, transactional HR and payroll.

Significant milestones during 2010-11 included:

- the transfer of transactional Finance to SSC in May 2010, and
- the transfer of grants to the SSC in February 2011.

The Councils shared the implementation costs and STFC's agreed share is 20.54%. These costs have been accounted for in STFC's books for 2010-11 as £3,161k expensed (2009-10 £4,252k) and £1,341k (2009-10 £2,053k) as additions to the Assets in the Course of Construction (AUC), bringing STFC's share of the AUC to £11,116k. The AUC was transferred RCUK SSC Ltd on 29th March 2011 (see note 12).

The balance remaining on the provision for redundancy and system termination costs of £584k was utilised in full during the year

The transition to SSC is regarded as a business critical project and is referred to in our Statement on Internal Control.

Signed:



John Womersley
Accounting Officer

Date: 18th November 2011

Remuneration Report

Remuneration Policy

Council Chair and members

Remuneration rates for Council Chair and Council Members are the same across Research Councils. The Science and Research Group (SRG) within the Department for Business, Innovation and Skills advises Research Councils of the rates they are required to pay and these are reviewed annually by SRG.

Chief Executive

The remuneration of all Research Council Chief Executives is determined by the SRG. 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 SRG 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

The STFC 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 2010-11 was:

Mr Philip Greenish, Chairman and Council Member

Mr Marshall Davies, Audit Committee Chairman and Council Member

Professor Keith Mason, Chief Executive, also attended as an observer and Mr Paul Hartley acted as secretary to the Committee.

The Committee took account of the remuneration policy for senior civil servants, set by the Cabinet Office following independent advice from the Review Body on Senior Salaries (for further information about the Review Body on Senior Salaries see www.ome.uk.com).

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

In determining bonus payments the Committee applied the guidance of the sponsoring Department and allocated 60% of the monies specified in the Cabinet Office guidance. A portion of that sum was allocated on a per-capita basis to all senior employees provided their performance during the year was judged to be fully satisfactory or better; and the remaining portion 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.

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.

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 SRG 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 until they reach the normal retirement age of 65. As is the case with other STFC employees, the contract may be extended beyond age 65 by mutual agreement. Senior employees are required to give a notice period of three months. Retirement age will cease to be relevant in October 2011, in accordance with legislation.

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.

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. The standard 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	
	2010-11 £'000	2009-10 £'000
Mrs Gill Ball (appointed 1 April 2010)*	5-10	-
Professor Martin Barstow	5-10	5-10
Professor Keith Burnett (term ended on 31 March 2011)	5-10	5-10
Mr Marshall Davies	5-10	5-10
Professor Michael Edmunds (term ended 31 March 2010)	-	5-10
Mr Philip Greenish (term ended on 31 March 2011)	5-10	5-10
Dr Michael Healy (appointed 1 April 2010)	5-10	-
Dr Philip Kaziewicz (term ended on 31 March 2011)	5-10	5-10
Professor Peter Knight	5-10	5-10
Professor Michael Sterling**	50-55	20-25
Professor James Stirling	5-10	5-10
Mr Peter Warry (resigned 31 July 2009)	-	15-20
Mr Will Whitehorn (appointed 1 April 2010)	5-10	-

Full year equivalent fee is shown for those Council members that served for part of the year.

*Part of Gill Ball's honorarium is donated to Birmingham University.

**Includes arrears of pay in the band £5,000-£10,000 relating to 2009-10.

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 2010-11 was £5,996 (2009-10: £13,519).

Salary and pension entitlements of senior employees

The following sections provide details of the remuneration and pension interests of senior employees who were members of the STFC Executive Board during the year.

	2010-11 £'000		2009-10 £'000	
	Remuneration	Bonus	Remuneration	Bonus
Professor Keith Mason	130-135	-	130-135	5-10
Mr Jeff Down From 1 April 2009 – 21 April 2009	-	-	80-85	5-10
Mr Paul Hartley	90-95	0-5	90-95	5-10
Mr Gordon Stewart	105-110	0-5	105-110	5-10
Jane Tirard	105-110	0-5	105-110	0-5
Professor Richard Wade	105-110	0-5	105-110	5-10
Professor Colin Whitehouse	90-95	0-5	90-95	-

- a. Remuneration includes any allowances but not benefits in kind or employer's pension contribution.
 b. Full year equivalent salary is shown for those senior employees that have only served on the Board for part of the year.
 c. Mr Jeff Down retired on 21 April 2009. Salary for the period 1 April 2009 – 21 April 2009 was in the band £0-£5,000.
 d. Bonuses paid in 2010-11 relate to performance in 2009-10.
 e. The average earnings increase in 2010-11 for senior employees, excluding the Chief Executive, was £323 (0.3%).

Benefits in kind

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

Professor Mason received some assistance under the relocation terms within his letter of appointment. The assessed monetary value of this assistance for 2010-11 was £2,521 (2009-10: £2,000).

Jane Tirard received some assistance under the relocation terms within her letter of appointment 2010-11: £1,022 (2009-10: £12,000).

No other members of the Executive Board received benefits in kind in 2010-11.

Pension benefits

See note 3 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 31/3/11 and related lump sum £'000	Real increase /(decrease) in pension and related lump sum at retirement age £'000	CETV at 31/3/11 (or date left STFC EB) £'000	CETV at 31/3/10* £'000	Real increase in CETV £'000
Professor Keith Mason	60 - 65 plus no lump sum	0 - 2.5 plus no lump sum	1,228	1,086	-
Mr Paul Hartley	40 -45 plus 75 - 80 lump sum	0 - 2.5 plus (0 - 5) lump sum	722	625	5
Mr Gordon Stewart	5 -10 plus no lump sum	0 - 2.5 plus no lump sum	79	52	18
Jane Tirard	5 - 10 plus no lump sum	0 - 2.5 plus no lump sum	67	33	26
Professor Richard Wade	40 - 45 plus 120 - 125 lump sum	0 - 2.5 plus 0 - 2.5 lump sum	895	782	7
Professor Colin Whitehouse	10 - 15 plus no lump sum	0 - 2.5 plus no lump sum	275	209	22

*The figure may be different from the closing figure in the 2009-10 Annual Report and Accounts. CETV is calculated using a formula supplied by the Cabinet Office. The difference is attributable to changes in the calculation and the factors used.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The CETV figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Research Councils Pension Scheme and for which the Scheme has received a transfer payment commensurate to the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional pension or additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

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

Signed:

A handwritten signature in blue ink that reads "W. John Womersley".

John Womersley

Accounting Officer

Date: 18th November 2011

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 to:

- 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 Department 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 'The Responsibilities of an NDPB Accounting Officer' issued by the Treasury and published in 'Managing Public Money'.

Statement on internal control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of STFC's policies, aims and objectives, whilst safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in 'Managing Public Money' and the requirements set out in the Management Statement and Financial Memorandum agreed between the STFC and its sponsoring department, the Department for Business, Innovation and Skills (BIS).

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risks; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of departmental policies, aims and objectives, to evaluate the likelihood and impact should the risks be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in the STFC for the year ended 31 March 2011 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

The Executive Board (EB) is supported in operational matters by the Operations Board (OB). These bodies (along with the independent Audit Committee) are responsible for reviewing risks associated with STFC activities and deciding appropriate response actions. EB, OB, and the Audit Committee, regularly consider reports, based upon STFC's stewardship framework. This framework draws on output from a range of sources including internal audit reports, Directorate risk updates (corporate, project and operational), discussions at the STFC's risk management forum (the Risk Assurance Group (RAG)) and regular follow up on the implementation of actions emanating from these processes.

Risk management is embedded in our activities notably through our Scheme of Delegation which makes directors responsible for identification, assessment and recording of material risks, particularly within their sphere of responsibilities. The RAG is chaired by the Director of Finance and comprises representatives from each Directorate in STFC. Members raise awareness of risk management amongst other staff and encourage a risk management culture at STFC.

STFC seeks to learn from good practice in risk management from across the Research Councils through membership on a cross-council risk group, feedback from the Research Councils Internal Audit Service (RCIAS) directly and through the Internal Audit Supervisory Board, which comprises representatives from all Councils and RCIAS.

The risk and control framework

The STFC has a robust risk management framework which describes the series of steps, and specific associated activities, necessary to manage risk effectively. The risk management framework has been formulated with reference to the guiding principles of risk management but taking into account the STFC's structure, processes and culture.

STFC operates in a high risk environment on an international scale with novel and complex technologies, large scale investments and major high profile facilities. A risk appetite statement has been agreed by Council aligned to the STFC 'Scheme of Delegation'.

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. These provide the evidence of embedded risk management processes at the STFC.

Members of 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 OB, the EB and the Audit Committee.

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

Review of effectiveness

As Accounting Officer until 31 October 2011, Professor Keith Mason had responsibility for reviewing the effectiveness of the system of internal control operating within STFC during 2010-11. I was appointed as Accounting Officer with effect from 1 November 2011 and I have been advised of my new responsibilities and accountabilities. I have also been advised on the implications of my predecessor's review of the effectiveness of the system of internal control.

As Director of Science Programmes in STFC up to 31 October 2011, I was responsible for a significant proportion of STFC's spending, and undertook appropriate stewardship activities and oversight of that programme over the period of the review. I was also closely involved in the committees and groups within STFC that addressed stewardship issues, and have attended all of the BIS performance management meetings during the period of the review. Since taking up my appointment I have met with all key directors one-on-one and with members of Council.

My review is further informed by the work of the internal auditors, the executive managers who apply the internal control framework, comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Council, the Audit Committee and a plan is in place to ensure continuous improvement.

The RCIAS Audit Strategy and accompanying risk based audit plan have been designed to cover reviews across three components:

1. STFC Core activities.
2. STFC/RCUK SSC Ltd end to end processes.
3. Cross-Council assurance.

The internal audit review programme is developed annually in consultation with the Audit Committee and the internal auditors to audit specific aspects of STFC's business. The outcomes of these reviews are discussed by the Audit Committee. Updates on corrective action to be taken, if any, are also reviewed by the Audit Committee.

The Director of RCIAS, through his annual report, provides positive reasonable assurance to me as the Accounting Officer. From the audit programme as a whole, I am able to gain the necessary confidence and assurance on the workings of the audit framework.

STFC directors provide annual 'Stewardship Statements' which provide additional management assurance on the system of internal control.

The Research Councils' UK Assurance Unit is hosted by the Biotechnology and Biological Sciences Research Council (BBSRC) and acts on behalf of the Research Councils to review the regularity of expenditure on Research Council grants at research organisations. The unit's programme typically involves around 15 to 20 visits per year to the most research intensive organisations, supplemented by around 15 desk based reviews for less research intensive bodies. Assurance activities focus on the control environment and its effectiveness in ensuring compliance with the Research Councils' terms and conditions for grant funding. In 2010-11 the planned programme of visits could not wholly be undertaken, with only 11 visits undertaken compared to the planned 19. This shortfall was due to the diversion of staff to other RCUK priority work and the loss of staff resource without short-term replacement owing to Government constraints on recruitment.

Despite the shortfall in visits, and taking into account the generally positive nature of findings from the actual visits made, the programme has nevertheless provided me with a satisfactory level of assurance. Relevant considerations include the good level of inherited assurance available from work in previous years, the fact that the 5 year rolling plan of visits is derived from a risk and assurance map and also that the percentage coverage for 2010-11 in monetary terms was close to that of previous years. A further strand of work scrutinises the costing methodology used in Research Organisations which, for universities, is the Transparent Approach to Costing (TRAC). The programme is an important element of the assurance framework for the STFC with an annual report produced for me, as the Accounting Officer, which details activities undertaken in the year as well as proposed activities for the following year. Taking this, together with our arrangements for the scrutiny of awards before payment, I am, therefore, confident that the necessary controls are in place to ensure the safeguarding of public money.

A STFC composite assurance map lists output from the range of assurance activities available to me, including internal audit, stewardship statements, risk reviews, project reviews and progress against agreed actions. The overall coverage of audit and review work during the year was sufficient to enable me to provide a positive reasonable assurance opinion. I am satisfied that the design and operation of systems of risk management, control and governance are appropriate to the STFC and its risk profile and my overall opinion is Substantial Assurance.

Significant issues

The composite assurance map highlights a number of specific concerns: RCUK SSC Ltd's performance and the impact this has on our ability to manage our finances; specific issues with one of our major Arms Length Bodies; and budgetary pressures. The issues surrounding these activities continue and are further reflected in the commentary that follows:

RCUK Shared Services Centre Ltd

The RCUK Shared Services Centre (SSC) implementation was a business critical project, which ended on 31 March 2011. The project aimed to deliver a single organisation administrative support service for all UK Research Councils, including the main administrative activities in Human Resources, Payroll, Finance and Procurement, IT and Grants processing. Governance and risk management of the implementation project was provided by the RCUK SSC Project Board on behalf of the Research Councils and the project. An RCUK SSC Project Audit Committee, comprising representatives from each of the Research Councils' Audit Committees, operated to provide oversight on risk management and control of the project.

The SSC project governance and leadership structures have now been formally closed and the remaining issues fall to the Research Councils and the SSC Ltd to be resolved and managed.

In a review published in October 2011 the National Audit Office criticised the project management. It concluded that the reasons for the overrun and delay included complex governance arrangements, slow decision making and the lack of a clear vision for the project from the outset. It highlights that the implementation of the shared services has so far not been good value for money and there is a risk that the Councils may not break even on the project costs. Operations were delivered 15 months late, and some services, particularly finance, are not yet where they need to be.

STFC and the Research Council community continue to work to improve SSC Ltd's services. We agree with the NAO that this single shared service platform has the potential to offer broader benefits through streamlined processes and those new services can take time to stabilise following launch. We have strengthened our interactions with SSC. Consideration, responses and follow through on RCIAS observations go through an integrated RC/SSC end-to-end process approach overseen by a Client Services Group (CSG), which is supported by functional Practitioner Service Groups (PSGs).

These groups provide a holistic approach to delivery processes, oversee audit improvements and manage Business Improvement Requests (BIRs). These need to be carefully managed throughout to ensure that both the required functionality and the necessary Value for Money are achieved.

RCIAS carried out a number of System Controls Audits of end-to-end financial and HR processes; all received limited assurance. In his annual report the Director of RCIAS comments that, based on subsequent management assurance provided by RCUK SSC Ltd and the Research Councils, analysis shows that the control environment's direction of travel for each of the areas receiving limited assurance is positive. Nevertheless, RCIAS continues to stress the real importance of making sure that Business Process Audit (SSC end to end audits) issues are resolved promptly and will keep a close watch on progress on completion of agreed actions.

However, RCIAS identified one area that could represent a fundamental internal control weakness which is especially relevant to the Accounting Officer's Statement on Internal Control (SIC). This area relates to Cash Management and Banking and in particular the bank reconciliation process. A comprehensive internal audit strategy relating to the RCUK SSC Ltd's operations for 2011-12 and beyond has been developed.

In relation to the internal audits conducted for the combined end-to-end processes involving both the Research Councils and the SSC, I am concerned by the number of internal audits that achieved limited assurance. However, given my understanding that both the SSC and Research Councils are progressing jointly and that these audits reflect a moment in time and, as noted above, that new services can take time to stabilise following launch, I am confident that the issues will be addressed.

I remain concerned about a number of areas and the impact these have on our ability to manage our finances. Most notably I have concerns related to:

1. The timeliness of reconciliations, especially bank reconciliations;
2. Fixed asset functionality;
3. The robustness and timeliness of management information;
4. Bedding in of the grants system and its impact on operational efficiency and effectiveness; and
5. Roles and responsibilities between the Research Councils and RCUK SSC Ltd.

It is important that these concerns are satisfactorily addressed over the coming months.

Arms Length Bodies

STFC works nationally and internationally with a number of partner organisations as highlighted elsewhere in the annual report and accounts. Where part of the business of STFC is conducted with and through an Arm's Length Body (ALB), we seek to ensure that there are robust governance arrangements in place, setting out the terms of our relationship, in order to promote high performance and safeguard propriety and regularity. The ALBs relevant to STFC are not wholly owned subsidiaries and invariably reflect UK representative roles across international boundaries.

However, in relation to the Institut Laue Langevin (ILL), STFC is unable to obtain sufficient evidence to support the appropriate consolidation of the ILL joint venture investment. The issues around the valuation of ILL's fixed asset have been addressed for 2010-11. However, the transition to IFRS for ILL is proving more challenging as the ILL comes under French accounting rules. STFC continues to work with ILL through representation on its various committees, including the ILL Audit Commission, to resolve these issues.

Budgetary pressures

Whilst STFC's allocation for the new Spending Review period was very positive, it will create future budgetary pressures, especially through the comparative lack of end-of-year flexibility and reductions in capital spending.

STFC will need to manage this transition and maintain a strategic view of spending in order to stay on budget. As highlighted above, SSC improvements in management information are key to support our financial management.

Conclusion

We have a solid funding base from Government; a good outcome in the current financial climate which recognises the positive impact science can make to the UK economy. Nevertheless, we face tough challenges and choices to deliver our Strategy and Delivery Plan.

I reiterate that we recognise that we have a major challenge to improve the services provided by the SSC and to build confidence in these services. It is of concern that we continue to report similar issues in relation to SSC a year on from our last report. However, we have strengthened our interactions with SSC and better focused our internal audit activity.

In light of the internal control issues identified within the SSC, STFC decided to lay the 2010-11 accounts post the summer recess. The additional time this afforded enabled us to gain the necessary assurance that the control issues identified did not materially impact on the accounts.

STFC is working collaboratively with the SSC to achieve stabilisation and ensure that the 2011-12 accounts are delivered pre recess.

I and other Research Council partners will continue to pursue these matters over the coming months.

Signed:



John Womersley
Accounting Officer
Date: 18th November 2011

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

I certify that I have audited the financial statements of the Science and Technology Facilities Council for the year ended 31 March 2011 under the Science and Technology Act 1965. These comprise the Consolidated Statement of Comprehensive Net Expenditure, the Consolidated Statement of Financial Position, STFC Statement of Financial Position, Consolidated Statement of Cash Flows, STFC Statement of Cash Flows, Statement of Changes in Taxpayers' Equity and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Science and Technology Facilities Council, Accounting Officer and auditor

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

Scope of the Audit of the Financial Statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Science and Technology Facilities Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Science and Technology Facilities Council and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify any material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on Regularity

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

Basis for qualified opinion on financial statements

The audit evidence available to me was limited because the Science and Technology Facilities Council did not maintain sufficient financial information for the Institut Laue-Langevin joint venture to enable me to evaluate whether the requirements of IAS 31 Joint Ventures have been appropriately applied. As a result, I was unable to obtain sufficient, appropriate evidence to support the £26.87m investment in the joint venture disclosed in note 13 to the accounts and the associated transactions in the Consolidated Statement of Comprehensive Net Expenditure. I was also unable to obtain sufficient, appropriate audit evidence to support the corresponding 2009-10 figures.

Qualified opinion on financial statements

In my opinion, except for the possible effects of the matter described in the basis for qualified opinion paragraph:

- the financial statements give a true and fair view of the state of the Science and Technology Facilities Council's and the Group's consolidated affairs as at 31 March 2011 and of the consolidated 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 issued 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

In respect solely of the limitation on my work relating to the investment in the Institut Laue- Langevin joint venture:

- I have not obtained all the information and explanations that I considered necessary for the purposes of my audit; and
- proper accounting records have not been maintained

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

- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records or returns; or
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

Report

My Report on pages 44 to 45 provides further detail of my qualified opinion on the financial statements.

Amyas C E Morse
 Comptroller and Auditor General
 National Audit Office
 157-197 Buckingham Palace Road
 Victoria
 London
 SW1W 9SP
 Date: 6th December 2011

The Report of the Comptroller and Auditor General to the Houses of Parliament

Introduction

1. The Science and Technology Facilities Council (STFC), a non-departmental public body of the Department for Business, Innovation and Skills, supports research, innovation and skills for the UK by supporting a broad portfolio of research and providing large scale scientific facilities. As part of its remit, the Council provides funding (referred to as subscriptions) for a number of international scientific collaborations. One of these is the Institut Laue-Langevin (ILL), which is a research centre located in France, that makes use of subatomic particles to study the structure and behaviour of all kinds of materials in microscopic detail. Funding from the Council to the ILL in 2010-11 amounted to £13.66 million.

2. The arrangements for the governance of the ILL are set out in a 1974 Concordat between the three Associate members, namely UK, France and Germany. The Concordat notes that the Associates have full power to take decisions in accordance with the objects of the Association. The UK's interest is overseen by the STFC.

3. The Council has prepared its 2010-11 financial statements applying International Financial Reporting Standards (IFRS). The governance arrangements for ILL meet the definition of a joint venture under IAS 31 (*a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control*). The STFC has a 33 per cent interest in the ILL. The Council has elected the equity method of accounting to consolidate its share of the ILL; that is, to record the investment as a share of the net assets of the ILL, and to reflect a share of ILL's profit or loss in the Council's own Statement of Comprehensive Net Expenditure.

Purpose of the Report

4. The financial statements on the following pages represent the results of the Science and Technology Facilities Council for the period from 1 April 2010 to 31 March 2011. I have limited the scope of my opinion on the financial statements as I was unable to obtain sufficient audit assurance to support the balances relating to the consolidation of the ILL as an investment of £26.87 million in the Council's Statement of Financial Position for 2010-11, and previous periods. The situation remains the same as in my Opinion and Report on the 2009-10 financial statements although improvements in the underlying fixed asset records have occurred (paragraph 9 and 10).

My obligations as Auditor

5. Under the Science and Technology Facilities Act 1965, I am required to examine, certify and report on the financial statements that I receive. I am required, under International Standards on Auditing (UK and Ireland), to obtain evidence to give reasonable assurance that the Science and Technology Facilities Council financial statements are free from material misstatement. In forming my opinion I examine, on a test basis, evidence supporting the disclosures in the financial statements and assess the significant estimates and judgements made in preparing them. I also consider whether the accounting policies are appropriate, consistently applied and adequately disclosed. I am required to satisfy myself that, in all material respects, the expenditure and income of the Science and Technology Facilities Council have been applied to the purposes intended by Parliament and conform to the authorities that govern them.

Limitation on scope relating to the consolidation of the Institut Laue-Langevin as an investment in the Science and Technology Facilities Council financial statements

6. As in the previous year, I have qualified my audit opinion on the Science and Technology Facilities Council 2010-11 accounts owing to the limitation on scope in relation to the investment balance recorded in the 2010-11 Statement of Financial position. In 2010-11 this was £26.87 million. The limitation extends to the prior year figures included for the ILL investment for 2009-10 (£26.74 million). The Council has not been able to provide sufficient evidence on the appropriateness of the balance for the reason explained below. The Council is not able to estimate the extent of adjustments that might be necessary from the issues identified.

7. The Council has derived the balance of £26.87 million from the net asset value of the ILL's balance sheet, within the audited accounts for the ILL for 2010, as no better information is reasonably available to them. However, as explained below, these accounts do not provide a robust and reliable basis to support the amount recorded in the Council's accounts.

8. The ILL's accounts are prepared in accordance with French accounting principles which provide a different accounting framework from IFRS. Neither the ILL or the STFC currently have adequate information to assess the significance of the differences, or to re-state, if necessary, the relevant figures underpinning the investment in the STFC's accounts on an IFRS basis. Given the uncertainties, there is a risk that the value of the investment in the ILL is incorrectly stated in the Council's accounts, and that it is not stated at a comparable value to the other investments held by the Council.

Improvement in underlying fixed asset records

9. In addition, the ILL 2009 accounts received a qualified opinion from its auditor because the fixed asset value included was not supported by a robust inventory. The Fixed Asset Register contained a significant number of fixed assets whose physical existence at the ILL was no longer certain. As a consequence the gross value and depreciation of the fixed assets included in the ILL accounts at 31 December 2009 are significantly overvalued. The ILL auditor also concluded that the guidance used by the ILL for accounting for fixed assets was not fully applied or appropriate. Consequently, there was a risk of error concerning the valuation of fixed assets and the classification of expenditure as an operating expense or as an asset.

10. In 2010 the ILL undertook a complete review of its fixed assets to determine which assets the body no longer held or which were no longer in use. As a result some 84 million euros have been removed from the fixed asset valuation for the year ended 31 December 2010. In addition ILL undertook a review of its fixed asset guidance. As a result, the ILL financial statements received an unqualified opinion for 2010 from its auditor. Therefore weaknesses in fixed assets recording now only affect the prior year figures incorporated into the 2009-10 STFC financial statements.

Actions being taken by the Institut Laue-Langevin and the Science and Technology Facilities Council

11. In my Report on the 2009-10 STFC financial statements, I noted that the STFC had requested ILL to undertake a formal review of the adjustments that would be necessary to provide IFRS based figures for the STFC's investment in future years. In the event, ILL were not able to complete this exercise, but work has begun to support an IFRS compliant position for the year ended 31 December 2011, including the restatement of the prior year figures. My staff will consider the outcome of this exercise as part of their 2011-12 audit of the STFC financial statements.

Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP
Date: 6th December 2011

Consolidated statement of comprehensive net expenditure

For the year ended 31 March 2011

	Note	STFC 2011 £'000	Consolidated total 2011 £'000	Consolidated total 2010 £'000
Expenditure				
Staff costs	3	86,605	86,605	83,672
Restructuring	4	484	484	(4,276)
Research grants	5	105,404	105,404	120,429
Other grants and awards	6	43,325	43,325	37,432
International subscriptions	7	247,078	247,078	241,521
Equipment and supplies		18,594	18,594	24,221
Services		35,365	35,365	49,692
Intangible amortisation	11	223	223	191
Intangible impairments	11	(21)	(21)	3
Depreciation	12	47,589	47,589	38,986
Property, plant and equipment impairments	12	222	222	186
Joint venture funding		31,374	31,374	25,879
Other expenditure	8	45,642	45,642	26,429
Total expenditure		661,884	661,884	644,365
Income				
Income from operating activities	9	55,287	55,287	60,104
Total income		55,287	55,287	60,104
Net expenditure		(606,597)	(606,597)	(584,261)
Interest	10	-	-	14
Unwinding of discount on provisions	19	(438)	(438)	(686)
Share of post tax losses of joint ventures	13	-	(21,284)	(19,689)
Net expenditure after tax		(607,035)	(628,319)	(604,622)
Loss on disposal of tangible assets		(471)	(471)	(4)
Profit on disposal of intangible assets		-	-	1
Profit / (Loss) on disposal of assets held for sale		76	76	(11)
Net expenditure for the year		(607,430)	(628,714)	(604,636)

All activities are continuing.

The notes on pages 53 to 88 form part of these Financial Statements.

Consolidated statement of financial position

As at 31 March 2011

	Note	2011 £'000	2010 £'000
Non-current assets			
Intangible assets	11	502	567
Property, plant and equipment	12	609,073	622,962
Interests in joint ventures	13	338,799	331,454
Trade and other receivables	14	6,929	7,055
Derivative financial instruments	15	7,047	-
Total non-current assets		962,350	962,038
Current assets			
Trade and other receivables	14	47,061	36,739
Derivative financial instruments	15	8,399	1,654
Cash and cash equivalents	16	10,027	4,379
Total current assets		65,487	42,772
Assets classified as held for sale	17	-	861
Total assets		1,027,837	1,005,671
Current liabilities			
Trade and other payables	18	(75,350)	(68,803)
Provisions	19	-	(1,988)
Total current liabilities		(75,350)	(70,791)
Non-current assets less net current liabilities		952,487	934,880
Non-current liabilities			
Trade and other payables	18	(7,002)	(9,037)
Provisions	19	(49,157)	(29,631)
Total non-current liabilities		(56,159)	(38,668)
Assets less liabilities		896,328	896,212
Reserves			
Income and expenditure reserve		706,226	719,500
Revaluation reserve		165,025	153,278
Government grant reserve		25,077	23,434
Government funds		896,328	896,212

W. John Womersley

John Womersley
Accounting Officer
Date: 18th November 2011

The notes on pages 53 to 88 form part of these Financial Statements.

STFC statement of financial position

As at 31 March 2011

	Note	2011 £'000	2010 £'000
Non-current assets			
Intangible assets	11	502	567
Property, plant and equipment	12	609,073	622,962
Interests in joint ventures	13	380,440	351,941
Trade and other receivables	14	6,929	7,055
Derivative financial instruments	15	7,047	-
Total non-current assets		1,003,991	982,525
Current assets			
Trade and other receivables	14	47,061	36,739
Derivative financial instruments	15	8,399	1,654
Cash and cash equivalents	16	10,027	4,379
Total current assets		65,487	42,772
Assets classified as held for sale	17	-	861
Total assets		1,069,478	1,026,158
Current liabilities			
Trade and other payables	18	(75,350)	(68,803)
Provisions	19	-	(1,988)
Total current liabilities		(75,350)	(70,791)
Non-current assets less net current liabilities			
		994,128	955,367
Non-current liabilities			
Trade and other payables	18	(7,002)	(9,037)
Provisions	19	(49,157)	(29,631)
Total non-current liabilities		(56,159)	(38,668)
Assets less liabilities			
		937,969	916,699
Reserves			
Income and expenditure reserve		774,737	766,727
Revaluation reserve		138,155	126,538
Government grant reserve		25,077	23,434
Government funds		937,969	916,699

W. John Womersley

John Womersley
Accounting Officer

Date: 18th November 2011

The notes on pages 53 to 88 form part of these Financial Statements.

Consolidated statement of cash flows

For the year ended 31 March 2011

	Note	2011 £'000	2010 £'000
Cash flows from operating activities			
Net expenditure for year		(628,714)	(604,636)
Interest	10	-	(14)
Amortisation	11	223	191
Impairment of intangibles	11	(21)	3
Depreciation	12	47,589	38,986
Loss on disposal of plant, property and equipment		471	4
Profit on disposal of intangibles		-	(1)
(Profit) / loss on disposal of assets held for sale		(76)	11
Impairment of property, plant and equipment	12	222	186
Migration adjustment on assets*		(79)	-
Write down of investment	13	21,284	19,689
(Increase) / decrease in trade and other receivables	14	(10,196)	22,483
Increase / (decrease) in trade and other payables	18	4,512	(9,709)
Use of restructuring provision	19	(1,987)	(3,531)
Increase / (decrease) in provisions	19	19,087	(2,569)
Unwinding of discount on provisions	19	438	686
Net cash outflow from operating activities		(547,247)	(538,221)
Returns on investment and servicing of finance			
Interest	10	-	14
Cash flows from investing activities			
Purchase of property, plant and equipment		(32,009)	(57,780)
Purchase of intangibles	11	(97)	(164)
Proceeds of disposal of property, plant and equipment		11,299	22
Proceeds of disposal of assets held for sale		418	355
Investment additions	13	(28,499)	(35,453)
Net cash outflow from investing activities		(48,888)	(93,020)
Cash flows from financing activities			
Grant in aid		583,001	607,100
Capital funding from other Research Councils		1,809	8,477
Other funding from Research Councils		2,100	10,898
Funding from international partners		2,965	2,133
Strategic Innovation Funding (SIF)		12,500	-
Release from income and expenditure reserve**		(426)	(213)
Release from government grant reserve**		(166)	-
Net cash inflow from financing activities		601,783	628,395
Net increase / (decrease) in cash and cash equivalents in the period	16	5,648	(2,832)
Cash and cash equivalents at the beginning of the period	16	4,379	7,211
Cash and cash equivalents at the end of the period	16	10,027	4,379

* Migration adjustment relates to the transfer of property, plant and equipment assets onto the RCUK SSC platform.

**Funding from other bodies for specific assets are taken to the reserves (Income and Expenditure or Government Grant Reserve) and released to the Statement of Comprehensive Net Expenditure over the asset lives to match depreciation.

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 53 to 88 form part of these Financial Statements.

STFC statement of cash flows

For the year ended 31 March 2011

	Note	2011 £'000	2010 £'000
Cash flows from operating activities			
Net expenditure for the year		(607,430)	(584,947)
Interest	10	-	(14)
Amortisation	11	223	191
Impairment of intangibles	11	(21)	3
Depreciation	12	47,589	38,986
Loss on disposal of plant, property and equipment		471	4
Profit on disposal of intangibles		-	(1)
(Profit) / loss on disposal of assets held for sale		(76)	11
Impairment of property, plant and equipment	12	222	186
Migration adjustment on assets*		(79)	-
(Increase) / decrease in trade and other receivables	14	(10,196)	22,483
Increase / (decrease) in trade and other payables	18	4,512	(9,709)
Use of restructuring provision	19	(1,987)	(3,531)
Increase / (decrease) in provisions	19	19,087	(2,569)
Unwinding of discount on provisions	19	438	686
Net cash outflow from operating activities		(547,247)	(538,221)
Returns on investment and servicing of finance			
Interest	10	-	14
Cash flows from investing activities			
Purchase of property, plant and equipment		(32,009)	(57,780)
Purchase of intangibles	11	(97)	(164)
Proceeds of disposal of property, plant and equipment		11,299	22
Proceeds of disposal of assets held for sale		418	355
Investment additions	13	(28,499)	(35,453)
Net cash outflow from investing activities		(48,888)	(93,020)
Cash flows from financing activities			
Grant in aid		583,001	607,100
Capital funding from other Research Councils		1,809	8,477
Other funding from Research Councils		2,100	10,898
Strategic Innovation Funding (SIF)		12,500	-
Funding from international partners		2,965	2,133
Release from income and expenditure reserve**		(426)	(213)
Release from government grant reserve**		(166)	-
Net cash inflow from financing activities		601,783	628,395
Net increase / (decrease) in cash and cash equivalents in the period	16	5,648	(2,832)
Cash and cash equivalents at the beginning of the period	16	4,379	7,211
Cash and cash equivalents at the end of the period	16	10,027	4,379

* Migration adjustment relates to the transfer of property, plant and equipment assets onto the RCUK SSC platform.

**Funding from other bodies for specific assets are taken to the reserves (income and expenditure or government grant reserve) and released to the Statement of Comprehensive Net Expenditure over the asset lives to match depreciation.

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 53 to 88 form part of these Financial Statements.

Statement of changes in taxpayers equity For the year ended 31 March 2011

	STFC £'000	Consolidated £'000
Income and expenditure reserve		
Balance at 1 April 2009	728,365	700,852
Funding from international partners	2,133	2,133
Funding from other Research Councils	10,898	10,898
Transfer from revaluation reserve	9,142	9,142
Release to Statement of Comprehensive Net Expenditure	(213)	(213)
Cash flow hedge	(5,777)	(5,777)
Investment write on	26	1
Net expenditure for the year	(584,947)	(604,636)
Total recognised income and expense for 2009-10	(568,738)	(588,452)
Grant in aid financing	607,100	607,100
Balance at 31 March 2010	766,727	719,500
Changes in reserves 2010-11		
Funding from international partners	2,965	2,965
Funding from other Research Councils	2,100	2,100
Strategic Innovation Funding (SIF)	12,500	12,500
Transfer from revaluation reserve	1,508	1,508
Cash flow hedge	13,792	13,792
Release to Statement of Comprehensive Net Expenditure	(426)	(426)
Net expenditure for the year	(607,430)	(628,714)
Total recognised income and expense for 2010-11	(574,991)	(596,275)
Grant in aid financing	583,001	583,001
Balance at 31 March 2011	774,737	706,226
Revaluation reserve	£'000	£'000
Balance at 1 April 2009	128,758	154,172
Net gain on revaluation of property, plant and equipment	6,949	6,949
Net gain on revaluation of intangibles	8	8
Net loss on revaluation of assets held for resale	(35)	(35)
Net gain on revaluation of investments	-	1,326
Transfer to income and expenditure reserve	(9,142)	(9,142)
Total recognised income and expense for 2009-10	(2,220)	(894)
Balance at 31 March 2010	126,538	153,278
Changes in reserves 2010-11		
Net gain on revaluation of property, plant and equipment	13,085	13,085
Net gain on revaluation of intangibles	40	40
Net gain on revaluation of investments	-	130
Transfer to income and expenditure reserve	(1,508)	(1,508)
Total recognised income and expense for 2010-11	11,617	11,747
Balance at 31 March 2011	138,155	165,025

The notes on pages 53 to 88 form part of these Financial Statements

	STFC £'000	Consolidated £'000
Government Grant Reserve*		
Balance at 31 March 2009	14,957	14,957
Funding received	8,477	8,477
Total recognised income and expense for 2009-10	8,477	8,477
Balance at 31 March 2010	23,434	23,434
Changes in reserves 2010-11		
Funding received	1,809	1,809
Release to Statement of Comprehensive Net expenditure	(166)	(166)
Total recognised income and expense for 2010-11	1,643	1,643
Balance at 31 March 2011	25,077	25,077
Total Government Funds at 31 March 2010	916,699	896,212
Total Government Funds at 31 March 2011	937,969	896,328

*The Government Grant Reserve relates to funding received from the Medical Research Council for the construction of a research complex. Once the asset has been capitalised the reserve will be released to the Statement of Comprehensive Net Expenditure over the life of the asset to match depreciation.

The notes on pages 53 to 88 form part of these Financial Statements.

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.

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

As part of HM Treasury's Clear Line of Sight project the cost of capital charge will no longer need to be reported in an entity's annual report and accounts. See note 1.28.

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

Adoption of standards effective in 2010-11

The following revised standards and interpretations have been applied by the Council from 1 April 2010:

International Financial Reporting Standards (IFRS/IAS)		Effective date
IAS 39	Amendments to IFRIC 9 and IAS 39: Embedded derivatives	30 June 2009
IAS 27	Consolidated and Separate Financial Statements	1 July 2009
IAS 39	Amendment to IAS 39 Financial Instruments: Eligible hedged items	1 July 2009

1.2 Consolidation

There is no material difference between STFC and the consolidation of STFC and its wholly owned subsidiary undertaking, STFC Innovations Limited (SIL). On this basis the STFC Financial Statements are the consolidation of the STFC parent and STFC Innovations Limited (SIL). SIL results are shown in note 13a. The STFC parent position 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 ongoing 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 at least 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;
- calculation of the decommissioning provision for ING, JAC, 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 at ING and JAC was undertaken in 2010-11; and
- 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 re-evaluated 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. Please refer to note 13.b for details of the unlisted investments.

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 realisations 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.

The STFC Financial Statements are the consolidation of the STFC parent and its wholly owned subsidiary undertaking, STFC Innovations Limited (SIL). The unlisted investments detailed in note 13.b are currently held at a value of £nil.

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 2 other shareholders. The results of ILL are therefore accounted for as a joint venture consolidated with those of the STFC.

STFC holds a 20.54% shareholding in the joint venture company RCUK SSC Limited. Under the terms of the joint venture agreement control is shared jointly with 6 other shareholders. The results of RCUK SSC Ltd. 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 UK Atomic Energy Authority (UKAEA). The results of HSIC PubSP are therefore accounted for as a joint venture consolidated with those of STFC.

STFC holds a nominal financial 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 the North West Regional Development Agency (NWDA) and Halton Borough Council. No entries are made in the Statement of Financial Position in respect of DSIC as the value of the holding and the trading position of this organisation is not material to the Financial Statements.

With the exception of ILL, there are no material differences in accounting policies between STFC and its Joint Ventures. ILL does not prepare accounts on an IFRS basis and it is not possible to estimate the impact on STFC's financial statements of this difference in accounting policy.

1.6 Property, Plant and Equipment (PPE)

Expenditure on PPE includes the purchase of land, buildings, plant and equipment costing £3,000 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
Personal computers	3 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 £3,000 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
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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. Contributions and grants from other bodies (including other government bodies) are treated as financing and are also credited to the income and expenditure reserve.

Where grants are received from government bodies (UK and EU) for the purchase of specific assets, these are credited to the Government Grant Reserve and released to the SCNE over the useful life of the asset in amounts equal to the annual depreciation charge.

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 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 RCUK Shared Services Centre Ltd. 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.

1.28 Notional cost of capital

As part of HM Treasury's Clear Line of Sight project the cost of capital charge will no longer need to be reported in an entity's annual report and accounts. In response to this STFC will no longer be showing a notional costs note. It will also no longer be showing these costs on the face of the SCNE. This is to make reporting simpler and easier to understand. For the financial years 2009-10 and 2010-11 this adjustment has no effect on the statement of comprehensive net expenditure as it was charged and reversed, and therefore the net expenditure for the year transferred to the general reserve is unaffected.

2. Segmental statement of comprehensive net expenditure

For the year to 31 March 2011

Disclosure to net expenditure before tax and gains and losses on revaluation.

	Science programme and project work £'000	Facilities access and development £'000	Knowledge exchange £'000	Corporate affairs £'000	Finance £'000	Total £'000
Expenditure						
Staff costs	6,886	60,843	1,534	14,619	2,723	86,605
Restructuring	-	-	-	-	484	484
Research grants	103,227	-	2,177	-	-	105,404
Other grants and awards	41,035	-	2,290	-	-	43,325
International subscriptions	247,078	-	-	-	-	247,078
Equipment and supplies	1,688	16,642	254	177	(167)	18,594
Services	5,279	10,669	414	18,633	370	35,365
Depreciation	-	-	-	-	47,589	47,589
Amortisation	-	-	-	-	223	223
PPE impairments	-	-	-	-	222	222
Intangible impairments	-	-	-	-	(21)	(21)
Joint venture funding	31,374	-	-	-	-	31,374
Other expenditure	2,460	13,496	456	9,000	20,230	45,642
	<u>439,027</u>	<u>101,650</u>	<u>7,125</u>	<u>42,429</u>	<u>71,653</u>	<u>661,884</u>
Income						
Income from operating activities	5,079	44,191	1,520	3,969	528	55,287
	<u>433,948</u>	<u>57,459</u>	<u>5,605</u>	<u>38,460</u>	<u>71,125</u>	<u>606,597</u>

For the year to 31 March 2010

	Science programme and project work £'000	Facilities access and development £'000	Knowledge exchange £'000	Corporate affairs £'000	Finance £'000	Total £'000
Expenditure						
Staff costs	6,809	58,700	2,418	14,213	1,532	83,672
Restructuring	-	-	-	-	(4,276)	(4,276)
Research grants	120,429	-	-	-	-	120,429
Other grants and awards	37,432	-	-	-	-	37,432
International subscriptions	241,521	-	-	-	-	241,521
Equipment and supplies	768	20,035	436	2,980	2	24,221
Services	5,441	22,817	3,814	16,683	937	49,692
Depreciation	-	-	-	-	38,986	38,986
Amortisation	-	-	-	-	191	191
PPE impairments	-	-	-	-	186	186
Intangible impairments	-	-	-	-	3	3
Joint venture funding	25,879	-	-	-	-	25,879
Other expenditure	2,698	11,157	489	8,217	3,868	26,429
	440,977	112,709	7,157	42,093	41,429	644,365
Income						
Income from operating activities	(7,176)	(46,744)	(1,857)	(3,433)	(894)	(60,104)
Net expenditure	433,801	65,965	5,300	38,660	40,535	584,261

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:

Science Programme and project work

This segment covers the STFC's science and technology strategy, science operations and planning (including the STFC's processes for peer review) and the international strategy, as well as STFC's programs in education, training and public outreach. It also covers the Isaac Newton group of Telescopes (ING) on La Palma, Canary Islands and the Joint Astronomy Centre (JAC), Hawaii.

Facilities access and development

This segment covers the management and operation of STFC's world class research facilities located at the Rutherford Appleton Laboratory, the Daresbury Laboratory, the Chilbolton Observatory and the UK Astronomy Technology Centre and the provision of access to these facilities.

Knowledge Exchange

This segment covers the delivery and development of the effective transfer of knowledge between the STFC, universities, industries and other organisations. It also covers the development of strategies and the coordination of implementation plans for increasing the economic impact of the STFC's investments in universities, its own facilities and the international laboratories.

Corporate Affairs

This segment covers STFC's administrative information systems and technology, estates management operations and support services, health, safety and environment, human resources and security. It also covers the engagement with the STFC's key stakeholders about the processes for shaping an overarching corporate strategy for the organisation, which connects the strategies for the different parts of STFC's business. Additionally, the development and implementation of a strong and effective communication strategy and programme, which encompasses STFC's activities in marketing, communications, public affairs, media relations, events management, corporate web services, corporate publications and internal communication fall within this part of the organisation.

Finance

This segment covers STFC's overall budgeting and associated financial planning and for the financial and management accounting processes within the Council.

3. Staff numbers and related costs

(See also the Remuneration Report on pages 31 to 36)

Staff costs

	STFC	Consolidated Total	Consolidated Total
	2011	2011	2010
	£'000	£'000	£'000
Salaries and wages	69,167	69,167	67,996
Social security costs	5,260	5,260	5,903
Superannuation	16,347	16,347	13,187
Temporary staff – seconded staff (SSC)	-	-	775
Council Members	115	115	72
Total payroll costs	90,889	90,889	87,933
Capitalised pay costs	(4,284)	(4,284)	(4,261)
Staff costs charged to the Statement of Comprehensive Net Expenditure	86,605	86,605	83,672

- Included in salaries and wages is an amount of £832,262 (2009-10: £1,174,741) in respect of agency staff.
- Included in salaries and wages is an amount of £1,553,986 (2009-10: £1,308,610) in respect of locally engaged staff overseas.
- Temporary staff are those that have been transferred to the RCUK Shared Services Centre but seconded back to the Council.
- The capitalised pay costs are accounted for in the Statement of Financial Position as part of assets under construction (note 12). Staff costs are capitalised based upon consideration of effort - there are no staff fully capitalised.

Superannuation

The 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. Employees who are members of the PNISS make pensions contribution at the rate of 7.5% 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 2010-11 the employer's contribution rate was 15.8% of pensionable pay.

The PNISS is a defined benefit scheme and 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 FRoM for use in the public sector.

The RCPS is in all respects 'by-analogy' with the Principal Civil Service Pension Scheme, except that the employer's contribution is determined separately. It is a notionally funded, contributory, defined benefit scheme, and is administered by the Research Councils' Joint Superannuation Services. The Scheme's accounts are prepared by the Biotechnology and Biological Sciences Research Council (BBSRC) on behalf of the Chief Executive of BBSRC as Accounting Officer for the RCPS, and contain the further disclosure information required under IAS 19 as interpreted by the FRoM for use in the public sector. The employer's contribution is agreed by the RCPS Board of Management on the recommendation of the Government Actuary's Department (GAD) and in 2010-11 was 26.0% of pensionable pay. Employee contributions paid by members of the RCPS range from 1.5% to 3.5%.

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 whole-time equivalent persons (including senior management) employed during the year was 1,766 (2009-10: 1,895). The current year figure includes 6 (2009-10: 42) SSC Limited employees seconded back to the Council and 39 (2009-10: 39) locally engaged staff overseas.

Additionally there are a number of temporary staff that are charged to the payroll including students, Council and Audit Committee members. The average number of whole-time equivalent persons in this category for the year was 44 (2009-10: 50).

The average number of agency staff (whole-time equivalents) employed during the year was 12 (2009-10: 32).

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	
	2010-11	2009-10	2010-11	2009-10	2010-11	2009-10
<£10,000	-	-	10	3	10	3
£10,000 - £25,000	-	-	10	8	10	8
£25,000 - £50,000	-	-	8	6	8	6
£50,000 - £100,000	-	-	12	10	12	10
£100,000 - £150,000	-	-	3	3	3	3
£150,000 - £200,000	-	-	-	1	-	1
Total number of exit packages	-	-	43	31	43	31
Total resource cost / £	-	-	£1,723,286	£1,679,842	£1,723,286	£1,679,842

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 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.

4. Restructuring costs

Restructuring costs in the year were £483,586. Comprised of pay costs of £2,389,767, non pay costs of £796,874, offset by the utilisation of the provision of £1,987,701 and refunds from pension providers of £715,354.

5. Research grants

	STFC	Consolidated	Consolidated
	2011	Total	Total
	£'000	£'000	£'000
Astronomy	56,120	56,120	58,799
Particle Physics	38,034	38,034	41,171
E-Science	2,471	2,471	11,600
Nuclear Physics	6,609	6,609	6,408
Industrial Programme Support Scheme (PIPSS)	2,170	2,170	1,806
Neutron & Light Sources	-	-	645
	105,404	105,404	120,429

All research grants are paid to private sector recipients.

6. Other grants and awards

	STFC	Consolidated	Consolidated
	2011	Total	Total
	£'000	£'000	£'000
Postgraduate Training Awards, Fellowships	25,952	25,952	25,119
Research and Research Support	17,373	17,373	12,313
	43,325	43,325	37,432

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

7. International collaboration agreements

	STFC	Consolidated Total	Consolidated Total
	2011	2011	2010
	£'000	£'000	£'000
European Space Agency (ESA)	98,005	98,005	98,341
European Organisation for Nuclear Research (CERN)	97,138	97,138	86,833
European Southern Observatory (ESO)	28,244	28,244	28,317
Institut Laue Langevin (ILL)	13,661	13,661	16,981
European Synchrotron Radiation Facility (ESRF)	9,742	9,742	10,250
Anglo-Australian Telescope (AAT)	132	132	359
European Incoherent Scatter Facility (EISCAT)	-	-	246
European Science Foundation (ESF)	156	156	194
	247,078	247,078	241,521

- a. The ESA subscription was transferred to the UK Space Agency with effect from 1 April 2011.
- 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.
- 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 and ESA require notice periods of 12 months after the end of the current calendar year. On behalf of the UK, STFC joined ESO on 1 July 2002. 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 3 years. 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.
- e. 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.
- f. 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, Hawaii, and with Dutch and Spanish partners in respect of the operation of telescopes on La Palma. Contributions are received from the International partners towards the cost of running the facilities. The James Clerk Maxwell and La Palma telescopes are owned by the Council. At the start of the year the Council jointly owned the Anglo-Australian Telescope (AAT) and wholly owned the UK Schmidt Telescope sited in Australia. In line with a previously concluded agreement with the Government of Australia, ownership of the AAT was passed to the Australian Government, and ownership of the UK Schmidt passed to the Australian National University, during 2010.

8. Other expenditure

	STFC	Consolidated	Consolidated
	2011	Total	Total
	£'000	£'000	£'000
Travel, subsistence and allowances	7,631	7,631	7,695
Utilities	6,763	6,763	8,381
Rent, rates and maintenance	9,358	9,358	3,559
Administration expenses	1,471	1,471	2,292
Auditors remuneration*	190	190	147
Increase/(decrease) in bad debt provision	583	583	(131)
Insurance premiums	124	124	393
Exchange rate losses	435	435	1,593
Decommissioning costs	19,087	19,087	2,500
	45,642	45,642	26,429

* Comprised of STFC audit fee of £185k and SIL audit fee of £5k.

9. Income from operating activities

	STFC	Consolidated	Consolidated
	2011	Total	Total
	£'000	£'000	£'000
UK Research Councils	10,227	10,227	11,378
Government organisations			
Department for Business, Innovation and Skills	544	544	632
Other	2,949	2,949	3,542
	3,493	3,493	4,174
External bodies			
Higher Education Institutes	8,186	8,186	8,388
European Commission	5,722	5,722	5,236
Other overseas	14,712	14,712	20,469
Private sector	10,214	10,214	7,472
Domestic	2,141	2,141	2,774
	40,975	40,975	44,339
Release of deferred income from income and expenditure reserve	426	426	213
Release of deferred income from government grant reserve	166	166	-
	592	592	213
	55,287	55,287	60,104

- 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.
- 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.
- The Council has complied with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance, where they are appropriate. However, the information 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.
- The release of deferred income relates to funding received in prior years but brought to account in the current year.

Income by purpose	UK	Foreign	Consolidated total	UK	Foreign	Consolidated total
	2011 £'000	2011 £'000	2011 £'000	2010 £'000	2010 £'000	2010 £'000
Facilities access and development	27,946	16,245	44,191	40,909	5,835	46,744
Science programme and project work	1,321	3,758	5,079	1,919	5,258	7,177
Other services	5,586	431	6,017	5,923	260	6,183
Total operating income	34,853	20,434	55,287	48,751	11,353	60,104
Non-current assets	927,821	34,529	962,350	924,248	37,790	962,038

The Council receives substantial funding from the Science Budget through its sponsor department BIS (see Statement of Changes Taxpayers' Equity for details). In addition, Science Budget funding accounts for a further £10.2m 2009-10 :£11.4m of the £55.3m 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 £45.1m. Revenue is allocated based on the country in which the customer is located.

10. Interest

	STFC	Consolidated Total	Consolidated Total
	2011 £'000	2011 £'000	2010 £'000
Interest receivable	5	5	15
Amounts payable to the consolidated fund	(5)	(5)	(1)
	0	0	14

11. Intangible assets

	Software £'000	Software licences £'000	STFC and Consolidated Total* £'000
Valuation			
At 1 April 2009	2,098	339	2,437
Additions	130	34	164
Reclassification	4	-	4
Disposals	(557)	(18)	(575)
Revaluation	14	3	17
At 31 March 2010	1,689	358	2,047
Additions	84	13	97
Reclassification	(15)	15	-
Disposals	(3)	-	(3)
Revaluation	164	36	200
At 31 March 2011	1,919	422	2,341
Amortisation and impairment			
At 1 April 2009	1,746	106	1,852
Charged in year	141	50	191
Disposals	(560)	(18)	(578)
Impairments	3	-	3
Reclassification	3	-	3
Revaluation	5	4	9
At 31 March 2010	1,338	142	1,480
Charged in year	158	65	223
Disposals	(3)	-	(3)
Impairments	(16)	(5)	(21)
Reclassification	-	-	-
Revaluation	142	18	160
At 31 March 2011	1,619	220	1,839
Net book value			
At 31 March 2010	351	216	567
At 31 March 2011	300	202	502

- 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 1 April 2006 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.

12. 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
Cost or valuation						
At 1 April 2009	44,264	286,753	79,194	684,907	206,861	1,301,979
Additions	-	24,427	-	6,994	26,271	57,692
Reclassification	-	5,257	-	113,178	(118,439)	(4)
Disposals	-	(230)	-	(8,527)	(22)	(8,779)
Write on	-	-	-	-	151	151
Revaluation	-	(215)	-	14,430	-	14,215
31 March 2010	44,264	315,992	79,194	810,982	114,822	1,365,254
Additions	-	1,779	-	12,226	18,322	32,327
Reclassification	117	32,605	-	31,563	(63,642)	643
Disposals	(62)	(991)	-	(102,041)	(11,116)	(114,210)
Impairments	-	135	-	57	-	192
Write offs	-	-	-	-	(232)	(232)
Revaluations	520	305	-	30,875	-	31,700
At 31 March 2011	44,839	349,825	79,194	783,662	58,154	1,315,674
Depreciation						
At 1 April 2009	-	108,642	76,002	520,143	-	704,787
Charged in year	-	8,627	1,556	28,803	-	38,986
Disposals	-	(256)	-	(8,504)	-	(8,670)
Impairments	-	22	-	164	-	186
Write offs	-	(6)	-	(164)	-	(170)
Reclassification	-	-	-	(3)	-	(3)
Revaluations	-	(27)	-	7,293	-	7,266
At 31 March 2010	-	117,002	77,558	547,732	-	742,292
Charged in year	-	9,051	785	37,753	-	47,589
Disposals	-	(637)	-	(101,830)	-	(102,467)
Impairments	-	17	-	397	-	414
Write offs	-	-	-	-	-	-
Reclassification	-	67	-	(3)	-	64
Revaluations	-	39	-	18,670	-	18,709
At 31 March 2011	-	125,539	78,343	502,719	-	706,601
Net book value						
At 31 March 2010	44,264	198,990	1,636	263,250	114,822	622,962
At 31 March 2011	44,839	224,286	851	280,943	58,154	609,073

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

Notes:

- a. Included within assets under construction (AUC) is the Council's individual share (20.54%) of the Shared Services Centre developed by the seven Research Councils. On 29th March 2011 each of the Research Council's sold their individual AUCs, which totalled £54m, to the RCUK SSC Ltd in exchange for "B" shares to the same value in RCUK SSC Ltd. STFC's agreed share of the capital costs of the project to the date of sale was £11,115,500.
- b. Reclassifications relate to reclassifications between property, plant and equipment categories. When capitalised, AUCs are reclassified from AUC to the appropriate category of property, plant and equipment.
- c. 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 value of land and buildings and plant and equipment include £2.4m (2009-10: £2.4m) and £15.1m (2009-10: £14.6m) of decommissioning costs respectively. Accumulated depreciation at 31 March 2011 amounted to £2.2m (2009-10: £2.1m) on the land and building decommissioning asset and £3.8m (2009-10: £3.3m) for the plant and equipment decommissioning assets.
- d. Tenancy agreements are in place with a number of tenants in STFC buildings at Daresbury and Rutherford. The total value of the tenancy agreements is immaterial.
- e. STFC received a £12.5m grant from the Strategic Investment Fund (SIF) for the establishment of the International Space Innovation Centre (ISIC) at Harwell. £6.5m of assets were purchased by STFC from this grant and are included within the plant and equipment balance. Legal title to these assets transferred to ISIC in 2011-12.
- f. 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 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.

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

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 were professionally valued by James Barr Limited as at 31 March 2008. For properties that are owner-occupied and of a non-specialised nature the basis of valuation is Existing Use Value. For those properties which are either owned but not occupied or have been declared surplus then these are valued on the basis of Market Value. For properties which are owner-occupied but are of a specialist nature where few, if any, open market transactions involving a continuation of the existing use occur, then the Depreciated Replacement Cost method of valuation is appropriate.

Plant and equipment assets were professionally re-valued on a depreciated replacement cost basis as at 1 April 2006 by Hickman-Shearer in accordance with the RICS Appraisal and Valuation manual.

13. Interests in joint ventures and other investments

	DLSL £'000	SSC £'000	ILL* £'000	HSIC £'000	Unlisted £'000	Total £'000
Cost						
At 1 April 2009	314,838	1,623	25,415	-	136	342,012
Additions	35,421	-	-	58	-	35,479
Revaluations	-	-	1,325	-	-	1,325
At 31 March 2010	350,259	1,623	26,740	58	136	378,816
Additions	17,358	11,116	-	25	-	28,499
Revaluation	-	-	130	-	-	130
At 31 March 2011	367,617	12,739	26,870	83	136	407,445
Impairment						
At 1 April 2009	27,230	283	-	-	136	27,649
Impairment	19,572	100	-	41	-	19,713
At 31 March 2010	46,802	383	-	41	136	47,362
Impairment	20,463	803	-	18	-	21,284
At 31 March 2011	67,265	1,186	-	59	136	68,646
Net book value						
At 31 March 2010	303,457	1,240	26,740	17	-	331,454
At 31 March 2011	300,352	11,553	26,870	24	-	338,799

STFC

	DLSL £'000	SSC £'000	ILL £'000	HSIC £'000	Unlisted £'000	Total £'000
Cost						
At 1 April 2009	314,838	1,623	1	-	136	316,598
Additions	35,421	-	-	58	-	35,479
At 31 March 2010	350,259	1,623	1	58	136	352,077
Additions	17,358	11,116	-	25	-	28,499
At 31 March 2011	367,617	12,739	1	83	136	380,576
Impairment						
At 31 March 2009	-	-	-	-	136	136
At 31 March 2010	-	-	-	-	136	136
At 31 March 2011	-	-	-	-	136	136
Net book value						
At 31 March 2010	350,259	1,623	1	58	-	351,941
At 31 March 2011	367,617	12,739	1	83	-	380,440

* 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.

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. Throughout 2010-11 SIL has continued to establish and expand its exploitation of the intellectual property rights of STFC.

As is to be expected with a venture of this nature, SIL incurred a trading deficit of £1,227,892 - 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 2011 was £ (4,561,176) (2009-10: £ (3,333,284)) and the loss for the year was £ (1,227,892) (2009-10: £ (1,326,713)).

b. Unlisted investments held by SIL

At 31 March 2011, 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	5	1,589	(356)
L3 Technology Limited	England and Wales	Ordinary	6	270	(1,127)
Microvisk Limited	England and Wales	Ordinary	6	1,091	(1,244)
Petra Limited	England and Wales	Ordinary	18	4	(916)
LaserThor Limited	England and Wales	Ordinary	8	(327)	(2)
Dsoft Limited	England and Wales	Ordinary	15	8	1
Constellation Technologies Limited	England and Wales	Ordinary	33	4	(7)
Cobalt Light Systems Limited (formerly LiteThru Limited)	England and Wales	Ordinary	33	1	(155)
Quantum Detectors Limited	England and Wales	Ordinary	90	40	14
Cryox Limited	England and Wales	Ordinary	59	-	-
Electrospinning Limited	England and Wales	Ordinary	48	11	(89)
Scitech Precision Limited	England and Wales	Ordinary	100	30	(7)
Cella Energy Limited	England and Wales	Ordinary	22	84	(66)
Tetra Componenets Limited	England and Wales	Ordinary	62.9	200	19

At 31 March 2010, 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	5	932	(1,899)
L3 Technology Limited	England and Wales	Ordinary	6	268	(1,060)
Microvisk Limited	England and Wales	Ordinary	6	86	(1,237)
Petra Limited	England and Wales	Ordinary	18	33	(60)
LaserThor Limited	England and Wales	Ordinary	8	(327)	(2)
Dsoft Limited	England and Wales	Ordinary	15	8	1
Constellation Technologies Limited	England and Wales	Ordinary	33	4	(16)
Cobalt Light Systems Limited (formerly LiteThru Limited)	England and Wales	Ordinary	33	468	(100)
Quantum Detectors Limited	England and Wales	Ordinary	90	40	46
Cryox Limited	England and Wales	Ordinary	59	-	-
Electrospinning Limited	England and Wales	Ordinary	48	-	-
Scitech Precision Limited	England and Wales	Ordinary	100	21	21

Aggregate of capital and reserves and profit / (loss) for the year are derived from the unaudited management accounts of the individual investee companies. All the above investments are currently held at a value of £nil.

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

On 27 March 2002, BIS transferred their 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 first phase of the facility, which provided 7 beamlines, became operational in 2007. By the end of 2010-11 the total number of operational beamlines was 19. Work continues on the design, construction, and commissioning of the remainder of the second phase beamlines which are due to be completed by 2012. This will bring the total number of beamlines to 22. Funding for a third phase of a further 10 beamlines has been confirmed.

The Council's shareholding in DLSL at 31 March 2011 is 340,022,500 ordinary shares of £1 each and 27,594,988 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.

STFC received £2.1m of DLSL funding in 2010-11 from the other Research Councils.

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 2011 was £345.6m (2009-10: £349.8m) and the loss for the year was £23.4m (2009-10: £22.5m).

d. RCUK Shared Services Centres Limited (SSC) (registered in England, registration number 6330639)

The Council's share ownership in RCUK Shared Services Centre Limited (SSC) is one (2010: one) "A" ordinary share of £1 and 12,738,160 (2010: 1,622,660,) "B" shares of £1 each. The "A" shares carry a voting right per share. Each of the seven Research Councils are joint investors in the project and each Council's individual share is 14%. The "B" shares convey ownership rights to the holder, including any distributions or proceeds from sale of the SSC. The "B" shares are apportioned in accordance with the agreed share of the implementation costs – the Council's share ownership is therefore 20.54% (2009-10: 20.54%).

The Research Councils entered into a supplementary shareholders' agreement with the Secretary of State for Business, Innovation and Skills on 4th October 2011 to allot the Secretary of State for Business, Innovation and Skills one 'A' ordinary share in the capital of RCUK SSC Ltd. This supplementary agreement confirmed the covenants of the original shareholders' agreement, signed 8th August 2007, remain extant. On that basis, STFC retains the same level of investment in RCUK SSC Ltd at 12,738,160 of the Company's "B" shares.

The operating results, assets and liabilities of SSC Ltd. are reflected in STFC's Financial Statements in accordance with IAS 31. The aggregate amount of capital and reserves at 31 March 2011 was £56.2m (2009-10: £6.600m) and the loss for the year was £4.478m (2009-10: £0.308m, restated).

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 2011 was £107m (2009-10: £105m), and the loss for the year was £nil (2009-10: £nil).

f. HSIC PubSP

The Harwell Science and Innovation Campus Limited Partnership (HSIC LP) was created in 2008 for the purpose of developing the campus as a world-leading centre for science, technology and innovation. The partners in HSIC LP are Goodman, an international property group (via a special purpose vehicle) and Harwell Science and Innovation Campus Public Sector Partnership (PubSP), which was established in February 2008 to hold the public sector's interest in the HSIC JV.

STFC holds a nominal share (0.04%) in PubSP with the UKAEA being the majority shareholder. This reflects respective capital contributions of the partners : the majority of the public sector capital contributed to HSIC LP was in the form

of land and buildings formerly owned by the UKAEA. Management and control of PubSP is shared jointly between STFC and UKAEA.

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 2011 was £2.640m (2009-10: £2.491m), and the profit for the year was £0.099m (2009-10: loss of £0.167m).

g. Other

International collaborations

As detailed in note 7 STFC makes significant contributions to a number of organisations in addition to ILL: ESA, CERN, 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 seven associate partners (the United Kingdom Atomic Energy Authority, Culham, The Food and Environment Research Laboratory (FERA, formerly Central Science Laboratory), The Health Protection Agency (HPA), The Veterinary Laboratories Agency (VLA), The National Physical Laboratory (NPL), 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.

Daresbury Science and Innovation Campus (DSIC)

The procurement process to select a commercial sector partner with whom to develop the Daresbury Campus culminated in December 2010 with the formation of the Daresbury Science and Innovation Campus Limited Liability Partnership (DSIC LLP). The objectives of DSIC LLP are to develop the 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.

The partners in DSIC LLP are Langtree, a commercial property development company and Daresbury SIC(PubSec) LLP, which in turn is a partnership between STFC, the Northwest Regional Development Agency (NWDA) and Halton Borough Council (HBC).

The principal assets of DSIC LLP are cash contributed by Langtree and properties contributed by the Northwest Regional Development Agency, including the Cockcroft Institute (National Centre for Accelerator Science) the Daresbury Innovation Centre and Vanguard House, a new 3,300 sq m office, laboratory and workshop facility, which has recently been completed. DSIC LLP issued Loan Notes in respect of these assets which entitle the contributors to repayment and a share of profits generated by the partnership.

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. As no STFC plots have been transferred to date, STFC currently has only a nominal financial interest in the partnership.

No entry is made in the Statement of Financial Position in respect of DSIC as the value of the holding and the trading position of this organisation is not material to the Financial Statements.

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.

14. Trade receivables and other current assets

	STFC	Consolidated	Consolidated
	2011	Total	Total
	£'000	£'000	£'000
(a) Analysis by type			
Amounts falling due within one year			
Trade receivables	15,561	15,561	10,309
Deposits and advances	286	286	590
Other receivables	5,014	5,014	141
Prepayments	16,568	16,568	17,286
Accrued income	9,100	9,100	7,583
Early retirements - amounts recoverable	532	532	830
Total	47,061	47,061	36,739
Amounts falling due after more than one year			
Early retirements – amounts recoverable	3,592	3,592	3,558
Prepayments	3,337	3,337	3,419
Deposits and advances	-	-	78
Total	6,929	6,929	7,055

Included within accrued income is £2.8m (2009-10: £1.1m) 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 £3.337m respectively.

	STFC	Consolidated	Consolidated
	2011	Total	Total
	£'000	£'000	£'000
(b) Analysis by source			
Amounts falling due within one year			
Other central government bodies	9,290	9,290	7,461
Local authorities	-	-	80
NHS bodies	-	-	2
Public corporations and trading funds	6	6	-
Bodies external to government	37,765	37,765	29,196
Total	47,061	47,061	36,739
Amounts falling due after more than one year			
Other central government bodies	6,929	6,929	6,977
Bodies external to government	-	-	78
Total	6,929	6,929	7,055

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

	STFC	Consolidated	Consolidated
	2011	Total	Total
	£'000	£'000	£'000
Provision for doubtful debts at beginning of period	183	183	378
Charged to Statement of Comprehensive Net Expenditure	690	690	-
Utilised during the period	(9)	(9)	(204)
(Increased) / released during the period	(107)	(107)	9
Provision for doubtful debts at the end of period	757	757	183

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

	STFC	Consolidated	Consolidated
	2011	Total	Total
	£'000	£'000	£'000
Current	12,957	12,957	5,694
0 – 60 days past due	2,746	2,746	3,440
61 -360 days past due	(152)	(152)	1,170
Over 360 days past due	10	10	5
	15,561	15,561	10,309

There are no indicators at 31 March 2011 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.

15. Derivatives and other financial instruments

IAS 39 Financial Instruments: Recognition and measurement 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 and IAS 32 mainly apply. 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. The Council's exposure to foreign currency risk further reduced with the transfer of the ESA subscription to the UKSA on 1 April 2011.

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 2010-11 33 contracts with an agreed cost of £447,157,392 have been fair valued (using the spot rate ruling at 31st March 2011) at £462,603,236 with the difference being credited to the income and expenditure reserve.

The forward contracts have been placed to cover 90% of the subscriptions payable in 2011-12 and 2012-13 and 60% of the subscriptions payable in 2013-14 and 2014-15.

Purchase of Swiss Francs in 2010-11:

Date contract placed	Settlement date	Cost £'000	Fair value as at 31 March 2011 £'000	Credit to reserves £'000
9 December 2010	8 April 2011	9,405	9,851	446
30 July 2010	8 April 2011	18,593	20,300	1,707
30 September 2010	8 April 2011	19,430	20,300	870
29 October 2010	8 April 2011	25,543	27,067	1,524
9 December 2010	13 January 2012	42,431	44,079	1,648
9 December 2010	13 April 2012	53,338	55,191	1,853
9 December 2010	11 January 2013	43,450	44,414	964
9 December 2010	12 April 2013	38,239	38,909	670
9 December 2010	10 January 2014	27,795	27,872	77
9 December 2010	11 April 2014	39,313	39,188	(125)
		317,537	327,171	9,634

Purchase of Euros in 2010-11:

Date contract placed	Settlement date	Cost £'000	Fair value as at 31 March 2011 £'000	Credit to reserves £'000
9 December 2010	1 April 2011	1,819	1,909	90
10 December 2010	2 May 2011	12,344	12,952	608
10 December 2010	1 July 2011	12,183	12,782	599
10 December 2010	1 August 2011	3,338	3,501	163
10 December 2010	1 February 2012	10,251	10,743	492
10 December 2010	3 October 2011	1,820	1,909	89
10 December 2010	1 November 2011	3,339	3,501	162
10 December 2010	2 April 2012	1,840	1,928	88
10 December 2010	1 May 2012	13,432	14,071	639
10 December 2010	2 July 2012	1,841	1,928	87
10 December 2010	1 August 2012	4,413	4,620	207
10 December 2010	1 October 2012	1,842	1,928	86

10 December 2010	1 November 2012	4,420	4,620	200
10 December 2010	1 February 2013	10,979	11,461	482
10 December 2010	1 April 2013	1,866	1,947	81
10 December 2010	1 May 2013	13,445	14,020	575
10 December 2010	1 July 2013	1,869	1,947	78
10 December 2010	1 August 2013	3,852	4,011	159
10 December 2010	3 February 2014	4,549	4,725	176
10 December 2010	1 April 2014	1,894	1,967	73
10 December 2010	1 May 2014	12,964	13,450	486
10 December 2010	1 July 2014	1,898	1,967	69
10 December 2010	1 August 2014	3,422	3,545	123
		129,620	135,432	5,812
		447,157	462,603	15,446
Current		160,496	168,895	8,399
Non Current		286,661	293,708	7,047

For the prior year forward contracts were agreed at a cost as detailed below and were fair valued (using the spot rate ruling at the year end) with the difference being credited to the income and expenditure reserve. All contracts were completed on the agreed date at their contract costs, as detailed below.

Purchase of Swiss Francs in 2009-10:

Date contract placed	Settlement date	Cost £'000	Fair value as at 31 March 2010 £'000	Credit to reserves £'000
16 December 2009	8 April 2010	20,295	21,322	1,027
16 December 2009	8 April 2010	21,202	21,322	120
30 October 2009	8 April 2010	20,815	21,322	507
		62,312	63,966	1,654

16. Cash and cash equivalents

	STFC 2011 £'000	Consolidated Total 2011 £'000	Consolidated Total 2010 £'000
Balance at 1 April	4,379	4,379	7,211
Increase / (Decrease) in cash and cash equivalents	5,648	5,648	(2,832)
Balance at 31 March	10,027	10,027	4,379

At 31 March 2011 £2.5m (2010: £1.9m) was held in Government bank accounts. The balance was held in commercial bank accounts.

17. Assets classified as held for sale

	STFC	Consolidated	Consolidated
	2011	Total	Total
	£'000	2011	2010
		£'000	£'000
Balance at 31 March	-	-	861

Assets classified as held for sale represent freehold and leasehold houses that are being actively marketed for sale. The value of assets classified as held for sale represents the expected net disposal proceeds. In May 2011 a decision was made to take the remaining assets off the market.

18. Trade payables and other current liabilities

	STFC	Consolidated	Consolidated
	2011	Total	Total
	£'000	2011	2010
		£'000	£'000

(a) Analysis by type

Amounts falling due within one year

Trade payables	13,163	13,163	14,756
Other payables	3,634	3,634	868
Accruals and deferred income	54,529	54,529	49,246
Early retirement costs	1,992	1,992	2,196
Social security and other taxes	2,032	2,032	1,737
Total	75,350	75,350	68,803

Amounts falling due after more than one year

Early retirement costs	7,002	7,002	9,037
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	STFC	Consolidated	Consolidated
	2011	Total	Total
	£'000	2011	2010
		£'000	£'000

(b) Analysis by source

Amounts falling due within one year

Other central government bodies	15,023	15,023	13,897
Public corporations and trading funds	39	39	-
Bodies external to government	60,288	60,288	54,906
Total	75,350	75,350	68,803

Amounts falling due after more than one year

Other central government bodies	7,002	7,002	9,037
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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.

19. Provisions for liabilities and charges

	STFC	Consolidated	Consolidated
	2011	Total	Total
	£'000	2011	2010
		£'000	£'000
Decommissioning			
Balance at 1 April	29,632	29,632	26,446
Increase in provision	20,705	20,705	2,500
Reduction in provision	(1,618)	(1,618)	-
Unwinding of discount	438	438	686
Balance at 31 March	49,157	49,157	29,632
Restructuring			
Balance at 1 April	-	-	744
Utilisation of provision	-	-	(744)
Balance at 31 March	-	-	-
Restructuring: SRS Closure			
Balance at 1 April	1,403	1,403	9,030
Utilisation of provision	(1,403)	(1,403)	(2,472)
Reduction in provision	-	-	(5,155)
Balance at 31 March	-	-	1,403
Restructuring: Shared Services Centre			
Balance at 1 April	584	584	813
Utilisation of provision	(584)	(584)	(315)
Increase in provision	-	-	86
Balance at 31 March	-	-	584
Total provisions	49,157	49,157	31,619

Analysis of expected timing of discounted flows

	STFC	Consolidated	Consolidated
	2011	Total	Total
	£'000	2011	2010
		£'000	£'000
Within 12 months	-	-	1,988
Between 2012 and 2016	8,072	8,072	9,689
Thereafter	41,085	41,085	19,942
Balance at 31 March	49,157	49,157	31,619

The discount rate used is 2.2% for all provisions (2009-10 : 2.2%)

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.

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. It is also deemed probable that at the end of the life span of the Council's technical facilities at the island sites (JAC and ING), or STFC's earlier withdrawal, there would be a requirement to decommission existing facilities. A provision has been created to cover the identified decommissioning costs. The decommissioning costs for ING and JAC were professionally revalued in 2010-11 resulting in a release from the provision of £1.6m.

The increase in the decommissioning provision of £20.7m represents STFC's share of the ILL decommissioning costs. Prior to 2010-11 these costs had been treated as a contingent liability. In 2010-11 STFC, as the UK representative, and the other Associates, were required to sign a letter of commitment undertaking to fund their share of the decommissioning costs of the ILL facility. STFC's share of these costs is 33%. The technical operations element of the provision was re-evaluated in 2007 and updated by ILL Management in 2010. The demolition and detritiation cost elements of the provision will be updated in 2011.

Restructuring: SRS closure

On 7 March 2005, Lord Sainsbury, the then DTI Minister for Science and Innovation, announced that the Daresbury Synchrotron Radiation Source (SRS) would cease operations on 31 December 2008. The Council estimated the costs of discontinuing the operation of this facility, including the minor decommissioning of the facility, as £27.6 million, after allowing for inflation.

The balance of the provision was utilised in full in 2010-11.

Restructuring: Research Council Shared Services Centre

The Research Councils and the Research Council Shared Services Ltd have developed a Shared Services Centre to carry out the central functions of HR, Finance and IT across the Councils. As a result some Research Councils incurred redundancy costs, particularly where existing staff live a distance away from Swindon where the Centre is located.

The Research Councils collectively agreed that they would be jointly liable for all necessary redundancies. A funding allocation model was developed and agreed by all the Research Councils and this identified the proportion of SSC project spend and liability that each individual Council would incur. The total provision for redundancies was apportioned using this model.

The opening balance of £584k represented STFC's share (20.54%) of the cross Council SSC related termination provisions. The remaining liabilities were met in full during 2010-11.

20. Contingent liabilities

STFC had the following contingent liabilities as at 31 March 2011:

- a. £8.7m (2009-10: £29.1m) in respect of ILL staff related commitments and costs associated with reprocessing fuel elements. As there has been no past obligating event these costs are treated as a contingent liability in accordance with IAS37. £20.7m of the prior year contingent liability figure related to decommissioning costs and is treated as a provision in 2010-11 (see note 19).
- b. £2.3m (2009-10: £2.3m) in respect of ESRF decommissioning costs associated with the dismantling of the facility and infrastructures. As there has been no past obligating event these costs are treated as a contingent liability in accordance with IAS37.

- c. As set out under note 7 the Council collaborated with a number of other international partners in the funding, management and operation of technical facilities which were 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, ESO and ESA. In addition, STFC was a member of the Gemini collaboration. For each of these four 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 were not wholly within STFC's control. There were no current plans for decommissioning nor were there any plans for STFC to withdraw from these facilities.
- d. A personal injury claim from a contractor working at the Rutherford Appleton Laboratory. The obligation cannot be reliably measured at the date of the Financial Statements.
- e. Two asbestos related claims in relation to former employees. The obligation cannot be reliably measured at the date of the Financial Statements.

21. Commitments

STFC had the following commitments at the balance sheet date:

a. Research grants	STFC	Consolidated	Consolidated
	2011	Total	Total
	£'000	£'000	£'000
Payable within 1 year	85,752	85,752	110,114
Payable in 2 to 5 years	116,256	116,256	153,680
Payable beyond 5 years	6,253	6,253	10,485
Total commitment	208,261	208,261	274,279

b. Capital expenditure	STFC	Consolidated	Consolidated
	2011	Total	Total
	£'000	£'000	£'000
Contracted but not provided for:			
Property, plant and equipment	1,448	7,545	6,154
	1,448	7,545	6,154

c. ESO capital contribution	STFC	Consolidated	Consolidated
	2011	Total	Total
	£'000	£'000	£'000
Payable within 1 year	10,281	10,281	10,357
Payable in 2 to 5 years	-	-	11,370
Total commitment	10,281	10,281	21,727

Represents the UK's contribution to ESO's capital base.

d. Operating leases

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

Land and buildings	STFC	Consolidated	Consolidated
	2011 £'000	Total 2011 £'000	Total 2010 £'000
Not later than one year	111	174	471
Later than one year and not later than five years	37	354	1,428
Later than five years	-	96	828
	148	624	2,727
Other leases			
Not later than one year	29	29	29
Later than one year and not later than five years	16	16	45
Later than five years	-	-	-
	45	45	74

- 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.
- 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.
- 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 current lease expires in May 2012 but is expected to be renewed for a further 10 years.
- 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 14.

22. 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 9.

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 9.

Transactions have taken place between the Council and the RCUK Shared Services Centre Ltd in respect of the HR, strategic procurement and IT services being supplied in the year.

As set out in note 13 above, the Council holds the major interest in DLSL. Related party transactions with DLSL for the period ending 31 March 2011 were as follows:

	2011 £'000	2010 £'000
Provision of technical and scientific manpower, costs collected on behalf of DLSL, accommodation and site services	2,187	2,175
Purchase of goods and services from DLSL	4	97
Amounts owing to DLSL	969	791
Amounts owing by DLSL	(408)	(154)
Outstanding balance at 31 March	561	637

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 13 above, the Council holds a 20.54% interest in RCUK SSC Limited. Related party transactions with RCUK SSC Limited for the period ending 31 March 2011 were as follows:

	2011 £'000	2010 £'000
Administrative expenses charged to RCUK SCC Limited	12,223	3,711
Charges incurred from RCUK SCC Limited	12,598	13,369
	<hr/>	<hr/>
Amounts owing to RCUK SSC	3,466	685
Amounts owing by RCUK SSC	(1,111)	(649)
Outstanding balance at 31 March	2,355	36

As set out in note 13 above, the Council holds a one-third interest in Institut Laue Langevin. Related party transactions with ILL for the period ending 31 March 2011 were as follows:

	2011 £'000	2010 £'000
Subscription to ILL	13,661	16,981
Total	13,661	16,981
	<hr/>	<hr/>
Amounts owing to ILL	-	-
Amounts owing by ILL	-	-
Outstanding balance at 31 March	-	-

As set out in note 13 above, 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 2011 are that of the £25,000 of capital introduced to the partnership and £18,403 related to partnership expenses

(2009-10: £58,000 of capital introduced to the partnership £40,490 related to partnership expenses).

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 2011 are as follows:

	2011 £'000	2010 £'000
Purchases from HSIC	518	406
	<hr/>	<hr/>
Amounts owing to HSIC	163	82
Outstanding balance at 31 March	163	82

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
Council members				
Professor Keith Mason* University of Wales, Aberystwyth	2	661	-	-
Mrs Gill Ball University of Birmingham	6	3,034	25	72
Professor Martin Barstow University of Leicester	15	9,393	10	232
Professor Keith Burnett University of Sheffield	7	2,236	8	67
Professor Peter Knight Imperial College, London	15	9,125	29	1,014
Professor James Stirling University of Cambridge	14	6,250	17	335
University of Durham	8	6,359	7	148
University of Oxford	14	12,249	57	2,638

*Also a member of Executive Board

Name and Related Party	Number of grants	Aggregate value £'000	Number of contracts	Aggregate value £'000
Executive Board members				
Paul Hartley University of Oxford	14	12,249	57	2,638
Professor Richard Wade University of Oxford	14	12,249	57	2,638
Professor Colin Whitehouse University of Birmingham	6	3,034	25	72

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	Related Party
Council members	
Professor Keith Mason	University of Wales, Aberystwyth
Professor Martin Barstow	University of Leicester
Professor Keith Burnett	University of Sheffield
Professor Peter Knight	Imperial College, London
Professor James Stirling	University of Cambridge
	University of Durham
	University of Oxford
Executive Board Members	
Paul Hartley	University of Oxford
Professor Richard Wade	University of Oxford
Professor Colin Whitehouse	University of Birmingham

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 Keith Burnett is also a non-executive director of UKAEA, STFC's partner in the HSIC Public Sector Partnership. Professor Burnett's term as a Council member ended on 31st March 2011.

Six 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.

23. Events after the reporting period

On 1 April 2011 STFC transferred its responsibilities for activities relating to scientific research in outer space to the UK Space Agency. This included the transfer of the European Space Agency (ESA) subscription and the space development and post launch programme. The 2010-11 Financial Statements will be restated in 2011-12 to reflect this transition.

In May 2011 the Council issued a call for voluntary redundancy applications. Although the Council received a comparatively positive Comprehensive Spending Review settlement, detailed planning has identified that it will not be possible to take forward all the programmes and activities that the Council would ideally have wanted to. More generally, there is a continuing need to maximise efficiency and effectiveness in all the Council's activities. The required reduction in staffing is estimated at less than 10% of the workforce. Given the scale of the required staffing reductions it is not possible to rule out the need for compulsory redundancy selection following the initial voluntary phase. Additional funding of £15.2m has been received from BIS in 2011-12 to fund the redundancy programme.

In May 2011 it was announced that the NWDA interests (assets and liabilities) in the Daresbury Science and Innovation Campus joint venture would transfer to the Council. On 31 August 2011, assets in the form of loan notes valued at £11.7m, and liabilities of £1.6m transferred from NWDA to STFC. Budget allocation was provided by BIS to cover the liabilities. Following the transfer, ownership and control of the Daresbury Science and Innovation Campus Public Sector Partnership is held jointly by STFC and Halton Borough Council.

IAS 10: Events after the Balance Sheet Date, requires the disclosure of the date on which the Financial Statements were "authorised for issue" and who gave that authorisation. The Financial Statements were authorised for issue on 6th December 2011 by John Womersley, STFC Accounting Officer.

24. Losses and special payments

	Number	Value £
Losses:		
Claims waived or abandoned	5	2,144
Constructive losses	1	232,220
Accounting write ons	3	(81,345)
Loss of accountable stores	2	15,438
Fruitless payments	2	2,205
Losses of pay / allowances	1	512
	14	171,174
Special Payments:		
Compensation payments	2	12,200
Total Losses and Special Payments	16	183,374

Statistics

Grants, fellowships and awards (unaudited)

Research Grants

Institution Universities and Colleges	No. of awards	Astronomy	Ground Based	Space Missions	Telescope Time	Project Peer Review	Particle Physics	Particle Astrophysics	Nuclear Physics	Advanced Fellowships	Total £'000
Aberystwyth	2	536	0	124	0	0	0	0	0	0	660
Birmingham	6	0	0	90	0	565	2378	0	0	0	3033
Bradford	1	0	0	27	0	0	0	0	0	0	27
Brighton	2	0	0	0	0	416	0	0	2	0	418
Bristol	7	585	0	0	17	17	4714	0	0	695	6028
Brunel	2	0	0	0	0	204	154	0	0	0	358
Cambridge	14	101	2981	806	3	344	3047	0	0	455	7737
Cardiff	3	0	0	0	0	0	0	1411	0	448	1859
Central Lancashire	1	0	0	0	1	0	0	0	0	0	1
Cranfield	3	0	0	1967	0	0	0	0	0	0	1967
Durham	8	4899	543	32	0	34	399	0	0	449	6356
Edinburgh	8	0	0	561	0	769	738	34	0	480	2582
Exeter	4	245	0	0	20	0	0	0	0	632	897
Glasgow	6	1203	0	27	0	1083	3264	5255	0	0	10832
Hertfordshire	1	0	0	0	66	0	0	0	0	0	66
Heriot Watt	1	0	0	0	0	0	0	0	0	464	464
Imperial College London	15	735	0	956	0	706	6204	27	0	494	9122
Keele	3	34	0	0	10	0	0	0	0	417	461
Kent	3	439	0	0	3	0	0	0	0	0	442
Lancaster	4	80	0	0	0	265	2285	0	0	0	2630
Leeds	3	1908	0	0	0	0	0	0	0	0	1908
Leicester	14	3531	0	5681	0	0	5	0	0	0	9217
Liverpool	6	0	0	0	0	2164	5357	0	187	0	7708
Liverpool John Moores	3	1394	0	0	35	0	0	0	0	0	1429
Manchester	9	1496	1500	0	58	230	3247	0	38	0	6569
Newcastle	1	0	0	0	1	0	0	0	0	0	1
Nottingham	3	3679	0	0	0	0	0	0	0	864	4543
Open University	7	3787	0	541	0	0	0	0	0	0	4328
Oxford	15	4571	1500	205	0	430	5416	5	0	457	12584
Portsmouth	3	982	0	42	0	0	0	0	0	416	1440
Queen Mary, University of London	7	368	13	51	0	635	2686	0	0	0	3753
Queen's University of Belfast	4	1786	0	70	0	0	0	0	0	0	1856
Royal Holloway, University of London	4	0	0	0	0	271	1412	0	0	0	1683
Sheffield	7	0	0	7	3	168	2052	3	0	0	2233
Southampton	1	0	0	0	11	0	0	0	0	0	11
Strathclyde	2	0	0	0	0	0	0	271	0	0	271
St Andrews	1	0	0	0	31	0	0	0	0	0	31
Surrey	4	0	0	0	0	1634	0	0	6	0	1640
Sussex	6	4675	0	0	2	57	1476	0	0	0	6210

University College London	23	5848	0	5743	0	183	3365	1209	0	0	16348
Warwick	5	2478	0	0	21	47	0	0	0	0	2546
West of Scotland	3	0	0	0	0	57	0	0	287	0	344
York	8	0	0	0	0	1070	0	0	46	433	1549
Research facilities											
NERC British Antarctic Survey	1	403	0	0	0	0	0	0	0	0	403
NERC British Geological Survey	1	0	0	18	0	0	0	0	0	0	18
STFC Labs	4	0	0	0	0	6097	0	0	417	0	6514
Other											
The National History Museum	1	0	0	83	0	0	0	0	0	0	83
Totals	240	45763	6537	17031	282	17446	48199	8215	983	6704	151160

Summary of successful proposals received and awarded during the financial year 2010-11.

Note: these statistics are based on grants awarded rather than grants paid in 2010-11 so will not be consistent with the Notes to the Financial Statements.

Education and training

Research studentships – quota allocation 2011 and 2010

Institution	No. of Studentships	
	2011	2010
Universities & Colleges		
Aberystwyth	2	2
Birmingham	5	6
Bradford	1	0
Bristol	3	3
Brunel	1	2
Cambridge	18	22
Cardiff	4	5
Central Lancashire	2	2
Dundee	1	0
Durham	13	15
Edinburgh	8	9
Exeter	2	2
Glasgow	8	9
Hertfordshire	4	3
Imperial College London	16	16
Keele	2	2
Kent	1	1
Kings College London	2	1
Lancaster	4	4
Leeds	3	4
Leicester	8	9
Liverpool	13	11
Liverpool John Moores	3	3
Manchester	11	15
Nottingham	3	3
Open University	5	5
Oxford	19	18
Portsmouth	2	2
Queen Mary, University of London	6	7
Royal Holloway, University of London	2	2
Sheffield	4	7
Southampton	6	5
St Andrews	3	4
Surrey	2	2
Sussex	5	4
Swansea	2	3
University College London	13	14
Warwick	3	3
West of Scotland	1	1
York	2	1
Other		
Armagh Observatory	1	1
STFC-Daresbury	0	1
STFC- Particle Physics	4	4
STFC- Space Physics	1	2
The Natural History Museum	1	0
Total	220	235



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