



Science and Technology Facilities Council
Annual Report and Accounts
2014-2015

Powering research, **creating** innovation
and **driving** economic growth for **our nation**



Science & Technology
Facilities Council

Science and Technology Facilities Council Annual Report and Accounts 2014-15

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

Ordered by the House of Commons to be printed on 2 July 2015

HC 236

© Science and Technology Facilities Council copyright 2015

The text of this document (this excludes, where present, the Royal Arms and all departmental or agency logos) may be reproduced free of charge in any format or medium provided that it is reproduced accurately and not in a misleading context.

The material must be acknowledged as Science and Technology Facilities Council copyright and the document title specified. Where third party material has been identified, permission from the respective copyright holder must be sought.

Any enquiries related to this publication should be sent to us at enquiries@stfc.ac.uk.

This publication is available at <https://www.gov.uk/government/publications>

Print ISBN 9781474119979

Web ISBN 9781474119986

ID 22051505 07/15

Printed on paper containing 75% recycled fibre content minimum

Printed in the UK by the Williams Lea Group on behalf of the Controller of Her Majesty's Stationery Office

CONTENTS

Foreword 4

Introduction 5

ACCOUNTS

Strategic Report 8

Directors Report 24

Remuneration Report 36

Annual Accounts 42

Glossary 118

ANNUAL REPORT FOREWORD

Welcome to the Science and Technology Facilities Council's (STFC) Annual Report and Accounts for the year 2014-15. Throughout the financial year STFC continued to address the challenges faced by society by delivering world-class science, skills and innovation to make a real difference to people's lives - in the UK and around the globe, but naturally in a more constrained programme due to the restrictions of flat cash funding.

Our research fuels significant scientific and technological developments in an extraordinary breadth of areas, from medicine, big data and accelerator science through to space technologies. In the last year, our research has been applied to detect the earliest stages of eye disease, made a breakthrough in the race to solve antibiotic resistance, and is supporting carbon capture and storage to help the UK meet its greenhouse gas emissions target.

We have continued to nurture and strengthen our international partnerships with science organisations and visionary projects such as the Square Kilometre Array (SKA), the European Synchrotron Radiation Facility (ESRF), European Spallation Source (ESS), Institut Laue-Langevin (ILL) and CERN, as they are vital to ensuring the UK remains competitive in a global knowledge economy.

One of our organisation's ambitions is to help deliver a scientific and technically-skilled workforce that will uphold the UK's position as one of the world's leading research nations. To ensure the UK's knowledge base remains strong, it is vital that we equip our scientists and engineers with a wealth of transferable skills that can be applied both in academia and industry. To support this goal, STFC has funded post-graduate training and apprenticeships to bring fresh talent into industry, and our university partnership programmes supported universities to undertake fundamental research in particle physics, astronomy, nuclear physics and space science.

Our high-impact public outreach programme is designed to inspire the next generation of scientists, engineers and technological innovators and to attract more young talent into STEM education. We hope that by engaging the public with our work we can raise awareness of the amazing benefits science, technology and engineering can achieve for our society. Thanks to our efforts in this area, we reached 18,000 teachers, 91,000 primary students, 243,000 secondary students and 1.1 million members of the general public this year.

This report also describes how we have risen to the challenges posed by the ongoing difficult economic climate and continued to produce pioneering, impactful scientific outcomes, thereby preserving the UK as one of the most exciting places in the world to work in science and technology.

Professor Sir Michael Sterling



A handwritten signature in black ink that reads 'Michael Sterling'.

INTRODUCTION AND WELCOME

AS SHOWN IN OUR 2014 IMPACT REPORT, STFC'S RESEARCH REMAINS AMONGST THE BEST IN THE WORLD AND I AM INCREDIBLY PROUD OF HOW MUCH WE CONTINUE TO ACHIEVE. IN THESE CHALLENGING ECONOMIC TIMES, WE CONTINUE TO PUSH THE BOUNDARIES OF SCIENTIFIC ENDEAVOUR AND DELIVER MEASURABLE, POSITIVE IMPACT FOR THE BENEFIT OF THE UK AND THE REST OF THE WORLD.

Big data - the massive growth in information generated from science, industry and the public, and to the techniques required to collate, analyse and use this information in new and novel ways – has the potential to transform science, business and society. In STFC's sciences for example we deliver huge amounts of data from the Large Hadron Collider at CERN, or from our space and ground-based astronomical instruments. But to reap all of the benefits that big data offers us, we must seek constant innovation in computing and communications – and the UK is leading the way. STFC's Hartree Centre at our Daresbury Laboratory in Cheshire is an industrial gateway to world-class high-performance computing and simulation technology. Hartree provides scientists and non-scientists alike with the tools needed to take advantage of big data and all its benefits. Home to one of the world's most powerful supercomputers dedicated to the development, deployment and demonstration of new software, it enables new high-performance computing collaborations that promote UK economic growth. In the Autumn Statement on 3 December 2014, the Government announced an investment of £115 million into Hartree's high-performance computing capabilities, which is predicted to give UK business a two-year head start over international competitors, transforming the way we do business, and the way we do science. We will develop the next generation of supercomputing architectures and software, combining existing best practice with innovation to deliver faster, more energy-sustainable solutions capable of meeting the challenges of data-intensive computing.

STFC's science is inspirational. Last year, UK scientists, engineers and companies played a vital part in one of the most complex and ambitious space exploration projects ever undertaken - the Rosetta mission. In what was a momentous achievement, the Rosetta spacecraft first tracked and then directed a lander onto the surface of comet 67P, Churyumov-Gerasimenko. The lander contained several vital instruments used for examining the composition of ice on the comet, to try and bolster the theory that the impact of comets delivered water onto early Earth. One of these instruments was Ptolemy, built by STFC's RAL Space department, together with STFC-funded researchers from the Open University. With funding from the UK Space Agency and STFC, the mission also had significant involvement from UK industry: a total of nine UK companies took part, including Airbus UK, e2v, SSTL and Sci-Sys UK. We were delighted that the UK was able to have such a large hand in the success of the mission, which delivered many firsts for space exploration. Rosetta captured the imaginations of people around the world, receiving a raft of positive press coverage that can only help to inspire the next generation of scientists.

Investing in the skills of our people and the scientists of the future remains high on our list of priorities. In the past year, we have invested £22.1 million in postgraduate training and fellowships in particle physics, nuclear physics and astronomy. Our current cohort of 766 PhD students are trained in the high-end scientific, analytical and technical skills that drive the UK's knowledge economy and help to secure our place as a global leader in scientific research. We also continue to support the professional development of our employees, topping up their skills base and keeping them up-to-speed with the latest innovations in technology and research. This recently earned us a Gold accreditation by Investors in People, in recognition of being an ambitious, forward-thinking and people-focused employer.

In October 2014, I represented the UK during the foundation stone ceremony for the ESS, one of the largest science and technology infrastructure projects of the decade. ESS will use neutrons to examine the structure of matter, helping scientists move forward in a huge array of fields – from medical research to new materials, better drugs to longer-lasting batteries, and more. By combining the science at ESS with the complementary work being done at the ISIS neutron facility at our Rutherford Appleton Laboratory, Oxfordshire, we will ensure that the UK's neutron community continues to have access to the best neutron facilities in the world. Inspiring, visionary projects such as the ESS can help to attract and develop the skilled workforce and talent the UK needs to move forward, so not only are we supporting the construction of one of the world's great science facilities, but we are also investing in our future.

We are proud that the UK remains one of the eleven nations entrusted with the development of the SKA, and in May 2015, we were delighted to hear that the SKA's headquarters will remain in the UK, at Jodrell Bank, Cheshire. This incredible new telescope will drive technology development in the era of big data, and is undoubtedly going to result in some Nobel Prize-winning science. SKA will have an impact on society like very few big science projects because of its close connections to technology, its global impact and its involvement of emerging science nations such as India, China and South Africa as full partners from the start. The first phase of construction will begin in 2018. As Chair of the SKA Board of Directors, the next step is to work with our partner countries to put in place an international organisation for SKA, hosted in the United Kingdom, which can provide the necessary legal framework for funding and operation over many decades.

STFC's Joint Astronomy Centre (JAC) has historically operated two telescopes on the summit of Mauna Kea, Hawaii: the James Clerk Maxwell Submillimetre Telescope (JCMT), and the United Kingdom Infrared Telescope (UKIRT). In October 2014, ownership of UKIRT was transferred to the University of Hawaii, to be operated by a new partnership between the University of Arizona and the Lockheed Martin Advanced Technology Centre. In February 2015, ownership of JCMT was also transferred from STFC to the University of Hawaii, and it will now be operated by the East Asian Observatory (EAO), in partnership with the UK and Canadian research communities. The UK will retain minor partner status in the JCMT through a grant to Cardiff University, matched by funds from a consortium of UK universities. These two telescopes have so far been a pinnacle of great science, and we wish them every success in the future to continue with their high-quality astronomical research.

CERN celebrated its 60th anniversary in 2014, and as a founding member of the facility, the UK has been part of its success, benefiting from the huge range of scientific, economic and social impacts it has created - including some of the most crucial technological revolutions of our time, like the World Wide Web, for example. The last 60 years have seen the researchers at CERN advance our knowledge of the basic building blocks of matter and hugely improve our understanding of how the Universe works and how it began, and as we enter the new financial year, we are entering the next phase of CERN's research. The restart of the Large Hadron Collider in early 2015 heralded a new frontier for particle physics, as we gather data from the highest-energy collisions ever attempted.

STFC is a major partner in the UK's foremost Science and Innovation Campuses; Harwell and Sci-Tech Daresbury. Both designated Enterprise Zones, these Campuses are built around STFC research laboratories and the cluster of technical expertise contained within them, hosting over 230 enterprises and support more than 5,000 jobs. The unique combination of world-class scientific capabilities combined with our Campuses' great business ecosystem means that we continue to attract start-ups, SMEs and large blue chip

companies, leveraging £40 million in inward investment in 2013 alone. Tenant companies on our Campuses experience strong growth, high-value job creation, high levels of commercial innovation and low failure rates. Our Science and Innovation Campuses are developing as new high-tech clusters and growing as locations of international prominence. This year, our tenant companies at Sci-Tech Daresbury created over 100 jobs, delivered £52 million in sales, attracted £97 million of investment and developed 97 new products. We are committed to growing this contribution to the regional and national economy and supporting the future of UK industry.

In December 2014, Minister for Universities and Science, Greg Clark MP, announced that the UK will invest up to £30 million to become a full member of the European X-ray Free Electron Laser (XFEL) facility, which is currently under construction near Hamburg, Germany. XFEL will use X-rays a billion times brighter than standard X-rays to open up completely new areas of experimentation, giving scientists worldwide unprecedented access to the inner working of atoms, chemical processes and cells. STFC's Central Laser Facility (CLF), with funding from the Engineering and Physical Sciences Research Council, is working with Oxford University to develop DiPOLE, an £8 million laser key to enabling the XFEL's pioneering capabilities, at our Central Laser Facility. DiPOLE will be used to compress matter to extreme pressures, allowing scientists to use X-rays produced by XFEL to analyse the matter in these extreme states. The UK will become the 12th member of the European XFEL project, joining Denmark, France, Germany, Hungary, Italy, Poland, Russia, Slovakia, Spain, Sweden, and Switzerland.

2015 has been designated the 'International Year of Light' and celebrates the vital role that light and light-based technologies play in science and in daily life. As one of the many activities we will play a part in at our facilities, STFC is co-supporting a touring exhibition - The Incredible Power of Light. Co-funded with both the Biotechnology and Biological Sciences Research Council (BBSRC) and the Engineering and Physical Sciences Research Council (EPSRC) its first leg alone and has already captured the attention of around 38,000 visitors whilst exhibiting at the first ever Northern Ireland Science Festival in Belfast, the Big Bang Fair at the NEC in Birmingham and a month's installation in the foyer of the Scottish Parliament building during Edinburgh's International Science Festival. The roadshow is a celebration of the laser and of the science, applications and technology that it has enabled, and visitors are able to discover the central role that lasers play in the modern world. This is just one example of how STFC's comprehensive public engagement programme is helping raise awareness of the great science the UK is delivering.

John Womersley



W. John Womersley

STRATEGIC REPORT

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 2014-15 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/about-us/our-purpose-and-priorities/royal-charter>)

NATURE OF THE ORGANISATION

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

As well as operating as a single corporate entity, STFC has operated its own wholly owned trading subsidiary, STFC Innovations Ltd (SIL). This technology exploitation company successfully manages commercial activity through spin-outs, licensing and trading. STFC continued to be the major shareholder in the Diamond Light Source Limited (DLSL), a joint venture established with the Wellcome Trust for the construction and operation of the Diamond facility STFC is also a partner in a number of other joint venture arrangements: ILL; the Harwell Science and Innovation Campus (trading name: Harwell Campus); and Sci-Tech Daresbury (previously known as the Daresbury Science and Innovation Campus).

PERFORMANCE AND POSITION OF ORGANISATION (2014-15 ACTUAL)

STFC delivered 89 of the 92 key deliverables in its *2010-14 Delivery Plan*. This impressive result is testament to the commitment of STFC's staff and their effective working relationships with the wider academic community, Government and industry.

In 2014 STFC achieved a positive spending review outcome for 2015-16. The resource and capital uplift in 2015-16 of 12.3% and 6.8% for 2015-16, bringing funding levels to £107.4m and £48.5m respectively, is welcome. Included in this uplift, and very much appreciated, was a £2m direct contribution from the other Research Councils to fund the Lasers for Science Facility.

The two Triennial Review recommendations referred to in last year's annual report have progressed successfully. The review of the governance arrangements for Diamond Light Source limit is due to report in July 2015. The Department for Business, Innovation and Skills (BIS)'s review of the operation and effectiveness of the Large Facilities Steering Group is now being implemented with a Large Facilities Advisory Board providing strategic oversight and an Implementation Group focusing on operational management.

STFC published its *2014 Impact Report* presenting quantitative data and case study examples to illustrate the breadth and depth of our economic and societal impact for the UK and its people. This is the fourth year STFC has produced the report and it has been very well received both in Government and by the academic community. A copy is available on the STFC web page.

In anticipation of ISIS's 30th anniversary a major impact study has commenced led by an independent impact evaluation company. This will be published in the new year and will look back at what has already been achieved as well as the exciting opportunities for the future.

FORWARD LOOK/FUTURE PLANNING

STFC's key priorities for next year are set out in our 2015-2016 Delivery Plan. It reflects the one-year nature of last year's spending round, and incorporates the advice of Science Board and the Programmatic Review.

STFC is in the process of refreshing STFC's strategy for the next 10 years. The refreshed strategy will build on our achievements to date, and will take account of the findings of the various current Government reviews of the Research Councils and the national innovation landscape, as well as the Government's recently-launched Science and Innovation Strategy.

The Council is also actively engaged in the Nurse Review responding to calls for evidence and information and working with the other Councils and RCUK to support the Review's aim to explore how the UK continues to support world-leading science and invests public money in the best possible way.

Over the next twelve months we will be refreshing our strategy with a view to publishing alongside the spending review. We will ensure that as our strategy takes shape we take on board recommendations made by the Nurse review.

The internal Light Touch Review of organisational structures recommendations will be implemented with effect from 1 June 2015. They are designed to enhance the internal linkage between our strategy and planning processes and the advice we receive from our scientific, industrial and Government partners. The changes will see responsibility for managing all of our strategy and planning activities, including external and internal advisory processes, moving to the Strategy, Planning and Communications Directorate. This will involve moving a small number of staff from the Programmes Directorate and seamless working with the finance team to ensure we have strategies and plans that match and feed into our financial and budgeting processes.

STAKEHOLDER RELATIONSHIPS

During the year, the Council has maintained an active programme of activities with our key stakeholders. These have included regular interaction with our partners in the academic community through Town Meetings, advisory and panel meetings, as well as engagement with Government and Parliament, and the Devolved Assemblies. Industrial engagement has been a key priority throughout the year, with activities including site visits and briefings, business breakfasts and attendance at key business events. STFC is fully committed to ensuring stakeholders are informed of its activities.

PRINCIPLE RISKS AND UNCERTAINTIES

STFC has a robust risk management framework, reflecting an organisation that operates on an international scale with novel and complex technologies, large scale investments and major high profile facilities. The risk management framework forms part of the STFC framework of control and is further reflected in the Annual Governance Statement details can be found in the Governance Statement on page 43.

EQUALITY AND DIVERSITY

STFC has maintained its strong commitment to equality and diversity, recognising the benefits that a truly diverse workforce can bring. This year, Professor John Collier (Director, Central Laser Facility) took over the role of Equality and Diversity Champion, also becoming STFC's representative on the RCUK senior level Equality and Diversity Group.

STFC continues its focus on increasing the representation of women in our science, technology, engineering and mathematics (STEM) workforce, and a number of initiatives have taken place during the last year aimed at raising awareness of this issue, attracting more women to apply to us and encouraging the career development of our STEM women. The number of women in more senior grades is now 16%: this is the highest ever figure and demonstrates a significant improvement.

We have maintained strong links with Women in Science & Engineering (WISE) and, in conjunction with RCUK, have again sponsored one of their annual awards for excellence. One STFC woman was nominated for an award, and STFC was again represented on the judging panel. Representatives from STFC attended the award ceremony in the presence of HRH Princess Anne in London on 13 November. RCUK have now become corporate members of WISE which provides many benefits and opportunities for our STEM women.

STFC's own Women in STEM network has continued to meet regularly and in June the committee welcomed Professor Jackie Hunter, the new CEO of the Biotechnology and Biological Sciences Research Council (BBSRC), who gave a very inspiring talk. Some members of the network are participating in Soap Box Science events to raise awareness of science to the wider community. STFC has additionally provided sponsorship for this activity.

We are currently exploring the feasibility of preparing an application for the Athena SWAN Charter Mark or alternatively the Gender Equality Charter Mark which will replace this. This recognises an organisation's commitment to advancing women's careers in science, technology, engineering, maths and medicine. Traditionally this charter has focused on the research and academic community. This presents some challenges for STFC and we are working closely with our Research Council network and the Equality Challenge Unit to ensure we interpret appropriately the charter requirements for STFC.

STFC was pleased to retain its 'Two Ticks' Positive about Disability accreditation following an assessment visit by the disability employment adviser in September 2014. This accreditation is awarded to employers who have made a commitment to employ, keep and develop the abilities of disabled staff.

The Dyslexia Support Network Group continues to raise awareness and provides practical support such as organising training opportunities which are specifically designed to meet the needs of dyslexic employees' preferred learning styles.

A black and minority ethnic (BME) forum was held in February 2015, chaired by John Womersley. This has resulted in the formation of a BME Network Group which meets regularly.

In July 2014, members of the Executive Board attended an unconscious bias workshop. This workshop has now been delivered to a large number of recruiting managers to raise their awareness of the impact of unconscious bias on the selection process.

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

At 31 March 2015:

The average age of employees in STFC was 43, slightly lower than the previous average of 45, which had been static for some years;

5.3% of employees were non-white, representing a small decrease on the 5.8% reported last year;

24.6% of all staff were female, a minor increase from last year's figure of 24.5%, of which 20% are STEM females; and

2.6% of staff were known to be disabled, the same as reported last year.

STFC FINANCIAL PERFORMANCE

The Financial Statements have been prepared in accordance with a Direction issued by the Secretary of State for 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).

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

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

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

| | Resource | | Capital | Total |
|----------------------------|-----------|----------------|---------|---------|
| | Programme | Administration | | |
| | £'000 | £'000 | £'000 | £'000 |
| Allocation | 477,934 | 12,422 | 167,367 | 657,723 |
| Outturn | 474,418 | 12,335 | 166,587 | 653,340 |
| In year (under)/over spend | (3,516) | (87) | (780) | (4,383) |

Following the necessary accounting policies the financial statements show net expenditure for the year of £544.5m. This is reconciled to the outturn position as shown below:

| | Note to the Financial Statements | £'000 |
|---|---|----------------|
| Net expenditure for the year as per Consolidated Statement of Comprehensive Net Expenditure (CSCNE) | | 544,531 |
| Annually Managed Expenditure not included in allocation | | 1,100 |
| Property, plant and equipment (PPE) additions | 13 | 75,465 |
| Net PPE disposal | 13 | (269) |
| Investment additions | 14 | 32,443 |
| Financial asset additions | 16 | 70 |
| Total Outturn | | 653,340 |

Consolidated net expenditure for the year increased by £31.1m from £513.4m to £544.5m (page 55).

Significant movements in income and expenditure include the following:

- £10.9m research grants: £9.4m increased new programme funding within astronomy, particle and nuclear physics, consistent with the outcome of the Programmatic Review. £0.9m additional funding for Distributed Research utilising Advanced Computing (DiRAC) E-Science and £0.6m additional funding the Impact Acceleration Account (External Innovations);
- £17.2m Other grants and awards: mainly £15.2m relating to a capital grant to the University of Oxford for the Oxford BioEscalator (£11.0m) and the Begbroke Centre for Innovation and Enterprise (£4.2m) under the Oxford City Deal. This forms part of HM Government's investment in a network of new innovation and incubation centres;
- £3.6m increase in equipment and supplies: in line with an increase in volume of activities funded by external income;
- £5.4m increase in joint venture funding for Diamond Light Source Ltd, in line with agreed funding levels; and
- £6.8m increase in income: due to an increase in projects/activities funded by overseas organisations and private industry.

From the Consolidated Statement of Financial Position (page 56), net assets as at 31 March increased by £15.5m from £1,080.5m to £1,096.0m. The main reasons for this are:

- £28m increase in property, plant and equipment including £25m on a new space science facility see note 13 for further detail;
- £27m decrease in investments: mainly due to revaluation of Diamond Light Source Ltd see note 14 for further detail; and
- £4m increase in trade and other receivables: due to an increase in accrued income of £6.1m due to different level of externally funded activities; less a reduction in prepayments of £1.5m.

These increases in assets are offset by:

- £14m reduction in trade and other payables: mainly a reduction in deferred income of £6.8m and reduction in grant accruals after the reversal of a prior year accrual £4.4m for SKA.

GOING CONCERN

STFC's accumulated income and expenditure reserve, carried forward at 31 March 2015, shows a surplus of £1,012m.

Under the Comprehensive Spending Review 2010, STFC has received financial allocations for resource and capital for the years 2014-15 and 2015-16. 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.

CREDITOR PAYMENT POLICY

During 2014-15, the Council paid 97.3% (2013-14: 98%) of undisputed invoices within agreed terms and conditions.

The Council observes the Confederation of British Industries' Code of Practice regarding prompt payment and, in accordance with the Government direction, is committed to paying its suppliers within five days of the receipt of a valid invoice or earlier if suppliers' terms dictate. During 2014-15, 81.5% (2013-14: 78.9%) of undisputed invoices were paid within five days. There are a number of initiatives in place within UK SBS Ltd to continue to improve performance in this area.

EFFICIENCY

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

In the spring of 2011 Research Councils UK (RCUK) published *Efficiency 2011-15: Ensuring Excellence with Impact* describing how the Research Councils would implement the recommendations in Sir William Wakeham's report, *Financial Sustainability and Efficiency in Full Economic Costing of Research in UK Higher Education Institution*. The efficiency savings are being applied to both research grants and fellowships awarded via competitive routes to research organisations and also to Research Council institutes. The combined savings for the first three years of the programme (2011-12, 2012-13 and 2013-14)) have exceeded the planned £251.2m target with details provided in the programme's annual report at:

http://www.rcuk.ac.uk/RCUK-prod/assets/documents/documents/RCUK_Efficiency_Savings_Report_2013-14.pdf

The programme continues to be on target to meet the overall four-year target of £427.8m. Additionally, the Efficiency Programme will be extended by an extra year to include 2015-2016.

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

PERFORMANCE AGAINST KEY PERFORMANCE INDICATORS (FINANCIAL AND NON-FINANCIAL)

This report covers the eighth year of operation of STFC during the fourth and final year of the 2010 Comprehensive Spending Review (CSR10) period.

PERFORMANCE MANAGEMENT

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

In 2014-15, STFC reported against 32 corporate level targets. Of these, 30 were met in full by the target dates. Two were marked amber, and these will be brought forward into a new performance scorecard for 2015-16. A further five deliverables were incomplete at the start of the year. Four have now been completed and the remaining one, marked amber/green, will also be brought forward into the new Scorecard for 2015-16.

Exemplar achievements throughout this reporting period

WORLD-CLASS RESEARCH

Our research remains amongst the best in the world as measured by citation impact, in astronomy, nuclear physics and particle physics. We also consistently outperform the other areas of physical sciences in the UK in terms of research quality. With significant UK academic and industrial involvement, the Rosetta spacecraft has manoeuvred beside a comet and landed a probe on the surface of the comet. The spacecraft has delivered several firsts in space exploration, making it one of the most complex and ambitious missions ever undertaken. Our research has been applied to detect the earliest stages of eye disease, made a breakthrough in the race to solve antibiotic resistance and is supporting carbon capture and storage to help the UK meet its greenhouse gas emissions target.

WORLD-CLASS INNOVATION

Our Campuses host over 230 enterprises and support more than 5000 jobs. This year our tenant companies at Sci-Tech Daresbury created over 100 jobs, delivered £52 million in sales, attracted £97 million of investment, and developed 97 new products. The Rainbow Seed Fund, in which STFC is a key partner, has invested £14 million in this early-stage venture capital fund. Co-investment levels from private investors of £127 million have been leveraged from just over £6 million of RSF investment. A new incubation facility, named for Edinburgh-based physicist Professor Peter Higgs, will exploit the UK ATC's capabilities in instrumentation for space and big data. The £10.7 million Higgs Centre for Innovation will host 12 small businesses, bridging the gap between research and industry.

WORLD-CLASS SKILLS

We invested £22.1 million during the year in postgraduate training and fellowships in particle physics, nuclear physics and astronomy. Our current cohort of 766 PhD students is trained in the high-end scientific, analytical and technical skills which drive the knowledge economy. We play a key role in attracting young people to follow STEM careers. STFC research inspires future generations to study STEM subjects. Between 2009 and 2014, we reached 84 million members of the public through four STFC mass media initiatives.

PERFORMANCE TARGETS ACHIEVED

ISIS delivered over 526 experiments in the year for approximately 650 individual users, produced 350 mA-hr of beam on Target 1 and 76 mA-hr of beam on Target 2, and registered a user satisfaction of about 90% over a range of 15 indicators, against a target of 85%. The figures for experiments, number of users and delivered beam are all lower than last year as ISIS had planned six-month maintenance and upgrade shutdown during the year and so ran for fewer days.

The CLF comprises the Octopus, Ultra, Vulcan, Artemis and Gemini systems. In 2014-15, the CLF scheduled 202 weeks of user time (including eight weeks commercial access) for 62 experiments. It recorded a user satisfaction of 99%, a reliability of 89.8%, both against a target of 85%, and an availability of 36% over and above the agreed 100% delivery target. The Laser Loan Pool (managed on behalf of EPSRC) made 14 loans over the year. EPSRC funding for the Loan Pool ceased on 28 February 2015.

For Diamond, in its eighth full year of operation, 7204 external user visits were made by users from academia and industry with an additional 2655 remote users undertaking 1672 experiments. The overall user satisfaction rate was 91.8% against a target of 80%.

During 2014, STFC ensured access for the UK research community to major European research facilities: 24.2% of public access to the neutron source at the ILL and 10.6% of public access to the ESRF, both in Grenoble, France. Public access to both facilities increased slightly in comparison to 2013. Although these figures are related to shareholding, beamtime is allocated competitively and is dependent on the high scientific quality of beamtime proposals submitted.

The first long shutdown period at CERN was completed on schedule. This shutdown enabled scientists and engineers to upgrade the accelerator complex and carry out the maintenance necessary after three years of continuous operation. This work included upgrading the Large Hadron Collider's (LHC) 10,000 splices, the superconducting interconnection between two magnets, so that it can now operate at even higher energy and intensity than before. The beam returned to the accelerator complex in summer of 2014, allowing the fixed target experiments to restart and work culminated with the restart of the LHC on 5 April 2015. Even without beam, the physicists continued their work using the Worldwide LHC Computing Grid to analyse the huge quantity of data produced by the LHC going on to submit more than 290 papers to refereed journals and more than 2,000 conference papers in 2014. With higher energy collisions starting in May 2015, physicists will be able to extend the search for new particles and will be hoping to answer to some of our big science questions about the Universe – such as why antimatter seems to be missing, whether dark matter really exists, and whether we can find any evidence of the 'super' particles predicted by supersymmetry.

ENVIRONMENT

ENVIRONMENTAL POLICY/SUSTAINABILITY

This is the STFC Sustainability Report in accordance with HM Treasury reporting guidelines for public sector sustainability reporting¹. This report sets out STFC's UK environmental performance against a common basket of metrics: greenhouse gas emissions; water usage and waste disposal, and their corresponding financial data.

In line with HMT sustainability reporting guidelines¹ STFC facilities located overseas² and STFC shareholdings in scientific facilities in the UK and overseas are excluded from the data presented. STFC recognises the limitations of the dataset and aims to continuously improve environmental reporting.

Greenhouse gas emissions

| Greenhouse gas emissions ¹ | | 2011 12 ⁴ | 2012 13 | 2013 14 | 2014 15 ⁶ | |
|---|---|--------------------------|---------|---------|----------------------|-------|
| Non-financial indicators (1000t CO ₂ e) | Total gross emissions | 66.22 | 63.23 | 73.16 | 64.84 | |
| | Total net emissions | 66.22 | 63.23 | 73.16 | 64.84 | |
| | Gross emissions Scope 1 (direct) | Gas & LPG | 3.61 | 3.23 | 3.32 | 2.70 |
| | | Owned transport | 0.05 | 0.04 | 0.08 | 0.09 |
| | Gross emissions Scope 2 & 3 (indirect) | Electricity ² | 62.76 | 59.60 | 69.25 | 61.53 |
| Business travel ³ | | 0.20 | 0.36 | 0.50 | 0.53 | |
| Related energy consumption (million kWh) | Electricity: non-renewable | 115.85 | 110.18 | 128.01 | 118.3 | |
| | Electricity: renewable | 0 | 0 | 0 | 0 | |
| | Gas | 19.66 | 17.58 | 17.82 | 14.58 | |
| | LPG | 0 | 0.02 | 0.03 | 0.02 | |
| | Other | 0 | 0 | 0 | 0 | |
| Financial indicators (£ million) | Expenditure on energy | 8.57 | 8.82 | 11.35 | 10.4 | |
| | CRC licensed expenditure (2010->) | 0.75 | 0.72 | 0.83 | 1.33 ⁵ | |
| | Expenditure on accredited offsets | 0 | 0 | 0 | 0 | |
| | Expenditure on business travel ³ | 1.38 | 1.27 | 0.84 | 0.95 | |

| Year | Gas & LPG | Owned transport | Electricity | Business Travel |
|---------|-----------|-----------------|-------------|-----------------|
| 2011-12 | 3.61 | 0.05 | 62.76 | 0.20 |
| 2012-13 | 3.23 | 0.04 | 59.60 | 0.36 |
| 2013-14 | 3.32 | 0.08 | 69.25 | 0.50 |
| 2014-15 | 2.70 | 0.09 | 61.53 | 0.53 |

Notes to data

¹ Data omits a small contribution to STFC's overall greenhouse gas emissions arising from its shareholding in the UK Shared Business Service Ltd.

² STFC science facilities, for example ISIS, CLF and super computers, account for a large proportion of the STFC's electricity usage. The ISIS neutron science facility accounts for two-thirds of STFC electricity consumption. Variation in the number of days ISIS operates due to maintenance and upgrade has a significant impact on STFC electricity consumption. During 2010-11 ISIS was shut down for a significant period resulting in a 20% reduction in electricity usage as it was again in 2014-15.

³ From 2012-13 data now includes an estimate of taxi usage.

⁴ 2011-12 data was updated to reflect actual rather than estimated usages and other minor convention changes.

⁵ CRC Licensed Expenditure estimated for 2014_15.

⁶ 2014-15 Electricity data contains estimates relating to Q4 consumption and costings.

¹ See HMT Guidance 2012-13 [Sustainability Reporting in the Public Sector](#)

² Key 2014/15 data for STFC overseas sites: ING Canaries: Electricity: 1,219,949kWh ; Water: 60m³ ; Landfill: 2400kg; during 2014/15 JAC ceased to be an STFC responsibility.

PERFORMANCE COMMENTARY

STFC greenhouse gas emissions are dominated by the use of electricity. The operation of the ISIS spallation neutron source at the Rutherford Appleton Laboratory (RAL) accounts for some two-thirds of all STFC electricity usage. While the annual electrical consumption of ISIS is affected by the number of days per year during which ISIS runs³, efforts are continuously made to use energy-efficient operating conditions and technologies. ISIS have recently implemented a number of energy saving measures relating to instrument and magnet cooling which on one unit resulted in an estimated £29,000 per year saving and 141 tonnes of CO₂e.

STFC has commenced a range of activities aimed at reducing the environmental footprint of its estates. For example: ongoing building refurbishment projects adding exterior cladding on older buildings and replacing their windows with double glazed units; where the installation of energy efficient lighting systems with motion sensitive PIR detectors; and, in collaboration with our joint venture partners on both the Daresbury and Harwell sites, encouraging cycling and car sharing as an alternative travel options. At the central Swindon office more efficient lighting and PIR detectors and been fitted in offices, meeting and drop-in-rooms.

STFC has also appointed an energy manager. As well as conducting an energy audit in the coming year, the energy manager will be key to developing a business strategy for energy incorporating 'spend to save' propositions achieving target savings of £275k/annum by 2019/20.

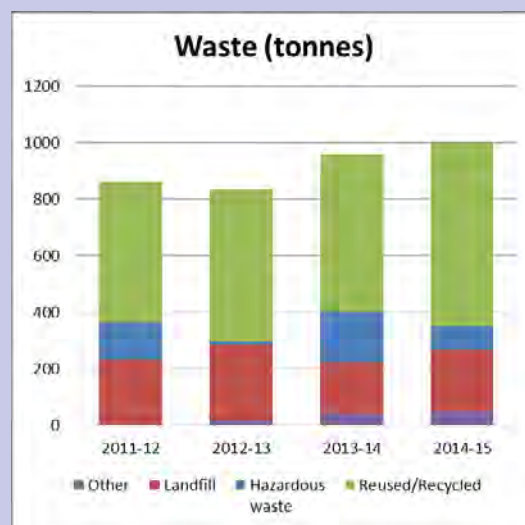
STFC hosts a number of large computing facilities and now has an Energy Efficient Computing Research Programme looking at new approaches to lower power and more efficient cooling of large computing facilities.

As a major electricity user, STFC is registered with the Environment Agency (EA) administered CRC Energy Efficiency scheme and purchases allowances based on carbon emissions.

³ ISIS operating days 2011/12 – **126**, 2012/13 – **104**, 2013/14 – **174**, 2014/15 - **102**

WASTE MANAGEMENT

| Waste ¹ | | 2011 12 ⁵ | 2012 13 | 2013 14 | 2014 15 | |
|--------------------------------------|-------------------------------------|----------------------|-----------------------|---------|---------|-------|
| Non-financial indicators (tonnes) | Total waste | 863 | 836 | 961 | 998 | |
| | Hazardous waste ² | Total | 131 | 10 | 177 | 82 |
| | | Non-hazardous waste | Landfill ⁶ | 232 | 271 | 183 |
| | Reused/recycled ³ | | 500 | 539 | 559 | 647 |
| | Composted ⁴ | | - | 16 | 27 | 25 |
| | Incinerated with energy recovery | | - | - | 14 | 24 |
| | Incinerated without energy recovery | | - | - | - | - |
| Financial indicators (£k) | Total disposal cost | 533.17 | 45.85 | 240.69 | 87.63 | |
| | Hazardous waste ² | Total | 567.32 | 29.17 | 280.08 | 55.78 |
| | | Non-hazardous waste | Landfill | 33.29 | 36.23 | 27.97 |
| | Reused/recycled ³ | | -67.44 | -22.96 | -72.62 | -8.55 |
| | Composted | | - | 3.41 | 5.56 | 3.78 |
| | Incinerated with energy recovery | | - | - | - | - |
| | Incinerated without energy recovery | | - | - | - | - |



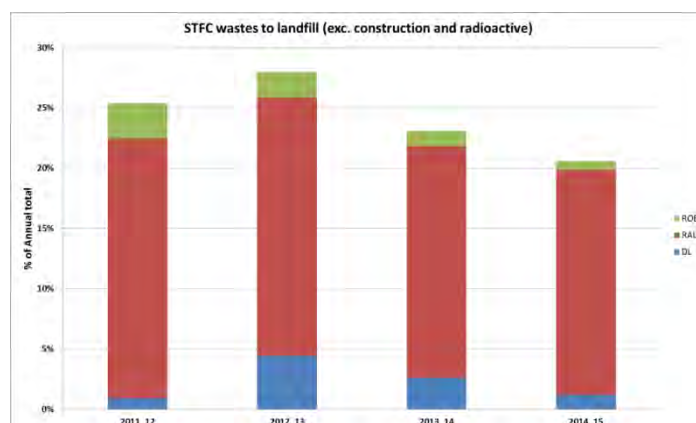
Notes to data

- ¹ All reported weights are based on waste management contractor calculated averages for the weight of standard containers/skips, and omits a small contribution to the STFC's waste arising from its shareholding in the UK Shared Business Service Ltd.
- ² Hazardous waste data includes weight and costs for disposal of radioactive wastes. 2013-14 data includes a shipment of 155 tonnes of active concrete shielding.
- ³ Variation in the weights of material recycled reflects volumes of scrap metals arising from the disposal or decommissioning of current or past science facilities, for example from the SRS decommissioning project. Variation in the cost/value of scrap metals is subject to prevailing metal prices.
- ⁴ Two STFC sites, Rutherford Appleton and Daresbury Laboratories, recycle unused food waste from their restaurants.
- ⁵ 2011-12 data has been updated to reflect actual rather than estimated usages and other minor convention changes
- ⁶ Excludes waste from large construction projects first collected 2014/15 as there is no mechanism to extract the costs from the overall project costs.

PERFORMANCE COMMENTARY

Recycled metal continues to dominate that sent to landfill or energy recovery and arise from the decommissioning of scientific facilities. One of STFC's objectives this year has been to review its waste streams and minimise landfill and maximise recycling where practical, with some success.

STFC hazardous wastes, chemical and radioactive wastes, while accounting for a small percentage of overall waste by weight and volume dominate the cost of waste disposal, and are disposed of through licensed waste management contractors. STFC science facilities, for example ISIS through their normal operation, generate quantities of low level radioactive solid, liquid and gaseous wastes. All such wastes are subject to strict EA permitting regimes for their accumulation and disposal, as appropriate, through licensed carriers and disposal sites. In order to comply with its 'Duty of Care' for waste management, STFC has carried out a number of audits of its waste contractors as part of an on-going programme. These audits found general good compliance with waste management legislation.



FINITE RESOURCE CONSUMPTION

| Finite resource consumption: Water ¹ | | 2011-12 ⁵ | 2012-13 | 2013-14 | 2014-15 ⁶ | |
|---|--|-----------------------|---------|---------|----------------------|--------|
| Non-financial indicators ('000 m ³) | Total consumption | 168.8 | 137.16 | 155.7 | 144.56 | |
| | Water consumption (office estate) | Supplied | 88.5 | 101.53 | 101.4 | 105.46 |
| | | Abstracted | 0 | 0 | 0 | 0 |
| | | Per FTE ² | - | - | - | - |
| | Water consumption (non-office estate) | Supplied ³ | 80.3 | 35.63 | 54.3 | 39.1 |
| | | Abstracted | 0 | 0 | 0 | 0 |
| Financial indicators ⁴ (£k) | Total cost | 284 | 287 | 272.47 | 321.16 | |
| | Water supply costs (office estate) | 149 | 213 | 175.47 | 234.29 | |
| | Water supply costs (non-office estate) | 135 | 75 | 97.00 | 86.87 | |

| Year | Consumption |
|---------|-------------|
| 2011-12 | 168.8 |
| 2012-13 | 137.16 |
| 2013-14 | 155.7 |
| 2014-15 | 144.56 |

Notes to data

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

² Current water metering does not allow accurate reporting of office and non-office estate consumption and therein the reporting of comparable normalised water consumption data by FTE.

³ STFC science facilities account for a large proportion of water consumption - employed for equipment cooling and generating deionised water. The largest single non-office water consumer is ISIS whose data is presented.

⁴ Total cost of water supply and disposal.

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

⁶ Data for 2014-15 includes a number of estimates due to failure of metering equipment and billing issues.

PERFORMANCE COMMENTARY

Annual STFC water consumption, like electricity usage, is dominated by the ISIS facility. While ISIS ran for 174 days in 2013-14, an increase of 67% on 2012-13 the expected to rise in water consumption has been considerably offset by operational improvements in the management of water cooling and associated plant which resulted in a considerable savings over the last two quarters of the year. Similarly the usage for the current reporting year has reduced to a figure which is on a par with 2012/13 which mirrors the number of days the facility ran in those years (2012/13 – 104; 2014/15 – 102).

ENVIRONMENTAL MANAGEMENT

STFC has a published Environmental Policy supported by a documented Environmental management system which continues to be developed consistent with recognised environmental management standards such as ISO14001. STFC personnel at Polaris House, Swindon, are already working under a registered ISO14001 management system managed by the Natural Environment Research Council (NERC). The STFC Environmental Policy was reviewed and reissued by the STFC CEO in 2014/15, and again supported by a focussed set of corporate environmental targets communicated to all staff:

| | |
|---|---|
| 1 | Minimise usage of raw materials and reuse or recycle as much STFC waste as possible. |
| 2 | Address EA concerns with respect to radioactive waste and materials management and security at RAL. |
| 3 | Establish F-gas registers at each STFC site where F-gases are employed. |

In parallel environmental aspects and impacts assessments of STFC major sites and a corporate environmental legislation register have been established and are now subject to ongoing review.

As part of its wider awareness raising programme, the annual special environmental issue of STFC's internal newsletter '*in-Brief*' focussed on environmental research highlights from STFC's facilities. These ranged from making better batteries from waste plastic to monitoring environmental pollutants from space.

During 2014-15, eight environmental incidents/near misses were reported. These were primarily leaks/spills from vehicles which were contained and treated on site or the identification, prior to disposal, of incorrectly consigned waste materials.

Signed:



John Womersley

Accounting Officer

Date: 23rd June 2015

DIRECTORS REPORT

STFC COUNCIL

Council is the governing body for STFC, and is established by the Royal Charter. Its members are appointed by the Secretary of State for Business, Innovation and Skills. The CEO is a full member of Council. The council is comprised of a combination of non-executive directors from academia and industry.

Current membership is as follows:

Prof Sir Michael Sterling FREng (Chair)

Mrs Gill Ball OBE

Professor Martin Barstow (left 31st March 2015)

Dr Brian Bowsher

Mr Gerard Connell

Mr Marshall Davies (left 31st March 2015)

Professor Dame Julia Goodfellow

Professor Carole Mundell (appointed 23rd March 2015)

Professor Jordan Nash (appointed 23rd March 2015)

Professor David Price FGS

Professor James Stirling (left 31st March 2015)

Mr Ian Taylor

Prof John Womersley FInstP

Dr Richard Worswick

Member's biographies and register of interests (see also note 25 Related Parties) can be found on the STFC website <http://www.stfc.ac.uk>

STFC EXECUTIVE BOARD

The Executive Board is chaired by Professor John Womersley, the Chief Executive Officer of STFC. Council appoints the membership of the Executive Board, with the exception of the CEO who is appointed by the Secretary of State.

The CEO is ultimately responsible to Council for the management of the organisation and the delivery of its mission. He has a specific responsibility for ensuring Council is fully and timely briefed on all relevant matters. Inter alia the Executive Board will be responsible for delivery of the following, within the strategic direction and guidance set by Council:

- The science programme
- International subscriptions and engagement
- Financial management and planning
- The economic impact agenda
- The campuses
- Outreach, external relations and communications

Current membership is as follows:

Professor John Womersley - CEO

Professor Grahame Blair - Executive Director, Programmes

Dr Tim Bestwick - Executive Director, Business and Innovation

Dr Sharon Cosgrove - Executive Director, Strategy, Performance and Communications

Mr Neil Phimister - Executive Director, Finance
Mr Gordon Stewart - Executive Director, Corporate Services
Dr Andrew Taylor - Executive Director, National Laboratories

FINANCE

AUDITORS

Internal audit was provided by the Research Council's Audit and Assurance Services Group (AASG).

The accounts of the Council were audited by the Comptroller and Auditor General of the National Audit Office (NAO), under the terms of Section 2(2) of the Science and Technology Act 1965.

No non-audit work was undertaken by the NAO during 2014-15.

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.

POLITICAL AND CHARITABLE GIFTS

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

FREEDOM OF INFORMATION

During 2014-15 STFC received 31 formal requests for information under the Freedom of Information Act 2000. Most responses were sent within the initial 20 days allocated; three required extensions of time.

No internal reviews were conducted and there were no complaints to the ICO.

STFC also responded to three Subject Access Requests made under the Data Protection Act 1998. No Environmental Information Regulations requests were received.

STFC has a policy of proactive publishing of data where possible and publishes responses to FoI requests on its website.

The STFC Publication Scheme and Information Charter are available at:

<http://www.stfc.ac.uk/foi.aspx>

PENSIONS

Most employees of the Council are members of the Research Councils' Pension Scheme (the RCPS) including the associated Partnership Pension Account. The RCPS operates 'by-analogy' to the Principal Civil Service Pension Scheme (PCSPS) and is administered by the Research Councils' Joint Superannuation Services, with the associated grant-in-aid managed by BBSRC.

Further details of STFC pension arrangements are set out in Note 4 to the accounts. In accordance with the FReM, these schemes are accounted for as defined contribution

schemes in these financial statements and the obligations recognised are limited to the contributions due. Further details are also in Note 1.22 and details of Executive Directors' pension entitlements are included in the Remuneration Report.

CHARGING

The Council has complied with the charging requirements set out in *Managing Public Money* by HM Treasury and Office of Public Sector Information guidance, where they are appropriate.

STAFF

STFC'S SICKNESS ABSENCE 2014-15: SUMMARY OF FINDINGS

STFC actively manages sickness absence to minimise the effects on its work programme and also minimise the costs related to these absences. Sick absence information is regularly made available to managers and senior managers so that absences can be managed effectively. The production of annual sickness absence data allows STFC to benchmark performance against appropriate comparable organisations.

In this financial year, our sickness absence procedures have been reviewed and training was made widely available for all managers. This has led to improved reporting of sick absences and improvements in the way the organisation manages absences. It has also raised the awareness within the organisation of the importance of dealing with sick absences effectively.

The data provided has been extracted from our absence records for all STFC employees for the period 01 April 2014 to 31 March 2015. The main findings are summarised below:

- The total number of days lost to sickness absence over the period was 9026. The average number of staff (persons) employed over the period and covered by the sickness absence arrangements was 1824; the average full time equivalent (fte) count was 1775.4.
- The derived absence rate (days lost per person) was 4.9; the headline absence rate (days lost per fte) was 5.1.
- The causes resulting in the largest working time losses were colds/coughs/influenza, (16.7% of days lost to sickness), anxiety/stress - not specified whether the cause is work-related (6.4%), and surgery (5.6%).

Last year's report noted that anxiety/stress-related absence had for the first time featured as a major cause of sickness absence and that we had taken action to raise manager awareness and to actively engage in resolution and rehabilitation of cases involving stress/anxiety. It is therefore pleasing to note the significant reduction in stress-related absences from 16.1% in 2013-14 to 6.4% in 2014-15.

Whilst, overall, there has been a slight increase from 5.0 days per fte in 2013-14 to 5.1 per fte in 2014-15, this may be due partly to improved sickness absence recording arising from the manager awareness training referred to above. The latest sickness absence data released by the Office of National Statistics features a headline absence rate for 2013 of 4.4 days. STFC remains committed to keeping sickness absence levels as low as practically possible through active management of individual cases.

EMPLOYEE RELATIONS AND COMMUNICATIONS

During the year, regular joint consultation and information sharing on a wide range of issues took place at both corporate and site levels between STFC management and employee representatives. STFC maintained an active programme of internal communications, including a weekly newsletter, intranet and quarterly staff forums at each site.

EMPLOYEE ENGAGEMENT

Formal consultation with the recognised Trade Unions has continued through regular central and local Joint Consultation Council meetings, including an annual meeting at which the Chief Executive provides a report on relevant organisational developments and reviews STFC's past and future programme; and at which employee representatives have an opportunity to raise other topical issues directly with the CEO and other senior staff members.

STFC staff were delighted to achieve the Investor in People (IIP) Gold Standard in October 2014. This prestigious award is described by IIP as an achievement of 'world class best practice' and means we are considered to have the highest standards of people management and development that support our goals.

We have recently formed an Employee Engagement Group with representatives from all departments. This group will consider how we can further improve engagement across the organisation and is the communication link within their departments.

In addition to our annual Senior Leadership Conference, this year STFC held the first Band F Forum. This was to recognise the crucial role that this group play, both as team leaders and as the link between senior management and staff. The forum was structured to provide maximum opportunity to network across departments, and to directly engage with Executive Board. The programme focussed on interactive sessions, including discussion on the political, financial and international developments which influence our work.

STFC took part in the 2015 *Sunday Times* Best Companies Survey. In 2013 we gained "One to Watch" status, however, this year we dropped several points which resulted in us not retaining position. Analysis of the results indicated that our scores against the "Fair Deal" factor were significantly lower than previously, mainly reflecting our employees' dissatisfaction with public sector pay constraints.

In November 2014, the Research Councils launched guidance on supporting and encouraging volunteering activities. This provides for up to two days' paid leave per year for employees who wish to undertake volunteering activities.

LEARNING AND DEVELOPMENT

STFC prides itself on having staff with the right technical, scientific and specialist skills to deliver its challenging agenda of world-class research, world-class innovation and world-class skills. Staff are encouraged to take responsibility for their own development, aligned to their personal and department needs, and a wide range of technical, management and soft skills training courses, conferences, learning resources, coaching and mentoring are available.

STFC have introduced an Accelerated Development Programme to fast-track a high potential group of staff who will move into leadership positions in the future. They are

contributing to the broader organisational work and engaging with leadership development programmes, mentoring and coaching.

Recruiting and nurturing early talent is a key driver for STFC and we currently have 34 graduates on the first two years of the graduate scheme and 37 undergraduate students working at STFC on a one-year intern programme as part of their degree. In total, 57 graduates (years one-four) are being supported to achieve chartership of their professional institution. There are currently 35 mechanical, electrical and electronic apprentices on a four-year Advanced Engineering Apprenticeship scheme, leading to a NVQ level three, BTech and HNC qualifications. Both the apprentice scheme and the graduate scheme have been recognised for excellence by external awards. The apprentice scheme is accredited by the Institution of Engineering and Technology (IET), and the graduate scheme is accredited by the Institution of Mechanical Engineers (IMechE), the IET, the Institute of Physics (IoP) and has an interim accreditation by the BCS.

HEALTH AND SAFETY

STFC continues to maintain a safe and healthy working environment at its laboratories. The STFC Health and Safety (H&S) Policy was reviewed and re-issued by the STFC Chief Executive and SHE Committee in 2015.

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

H&S committees are a key component of 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 provide a forum through which employee safety representatives can raise issues. Independent of the departmental and site safety committees, the STFC Safety, Health and Environment (SHE) Committee, chaired by the Director of Corporate Services, provides a focus for reviewing and developing the overall STFC SHE Management system, approving new code launches.

STFC SHE Group including site radiation protection advisers (RPAs), radioactive waste advisers (RWAs), and occupational health professionals, monitor corporate SHE performance against a basket of input and output H&S metrics, and provide advice to management and health and safety committees.

During 2014-15, STFC made further progress in developing its SHE Management Systems:

- Corporate STFC-wide annual H&S (and environmental) improvement objectives were communicated to all staff by the STFC Chief Executive, helping to shape departmental SHE improvement plans which provide the focus driving STFC SHE improvement.
- During 2014-15, seven SHE compliance audits were undertaken to provide independent assurance to senior management of the implementation of the STFC SHE management system and recommend improvements. All reported 'Substantial Assurance'.
- A major development has been the launch of a mandatory three-day Technical SHE Management Course based on the STFC SHE Management System, which has been well received and will be rolled out across the Council.

- Improving communication on SHE matters remains a key focus - proactively sharing learning from SHE incidents using 'What, Why, Learning (WWL)' posters, SHE notices, the SHE website, and SHE information posters. During 2014-15 five WWL posters and 10 SHE information posters were distributed across STFC sites.
- There has been significant investment in bespoke online SHE training, communicating and delivering SHE training and information innovatively and effectively. These have included STFC Radiation Awareness courses and BiteSize SHE Code refresher packages.
- During 2014-15, the STFC SHE Group delivered a very extensive programme of classroom and online SHE training courses, based on our 'SHE Training Catalogue' of ~60 courses for staff and others working at STFC sites. Approximately 4000 course places were delivered on 37 different courses during 2014-15, of which 20% were delivered online.
- STFC undertook its second SHE Culture Survey, building on the first undertaken in 2010. With a 50% response rate, this survey has confirmed the healthy STFC SHE culture and identified a range of improvement opportunities for action.
- SHE Group facilitated one-day 'Director and Senior Management SHE Workshops' for the STFC departments, reviewing departmental SHE performance and the findings of the SHE Culture Survey, focussing on their leadership on SHE matters.

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

Accident and near-miss reporting and investigation continue to be an important driver of improvement in the STFC SHE management system, and provide the basis of objective reporting of health and safety performance. Actively encouraged, the reporting of learning opportunities (near misses and other non-injury incidents) remain at record levels and provide essential opportunities to improve STFC safety minimising the potential for future incidents.

STFC injury statistics for the financial years 2013-14 and 2014-15 are presented in the table below.

| STATISTICS | 2013-14 | 2014-15 |
|---|----------------|----------------|
| Total injuries to employees | 77 | 60 |
| Total injuries to contractors | 18 | 29 |
| Total injuries to users/visitors/tenants | 18 | 10 |
| All Injuries | 113 | 99 |
| Reportable injuries to employees | 1 | 3 |
| Reportable injuries to contractors | 1 | 1 |
| Reportable injuries to users/visitors/tenants | 0 | 1 |
| All reportable injuries | 2 | 5 |
| Reportable injuries per 1000 employees | 0.55 | 1.59 |

The total number of injuries to STFC staff, contractors and others working at STFC sites in 2014-15 was 99, of which those to staff fell to a record low. In addition to the five RIDDOR Reportable injuries, one incident was reported as a Reportable Dangerous Occurrence, and are consistent with historic STFC RIDDOR performance.

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

Occupational health teams at STFC sites, in addition to employment, hazard-specific health screening and surveillance, and managing first aid teams, continue to participate in and support a range of national health initiatives including: 'No Smoking Day'; 'Know your Numbers' (Blood Pressure); and other services promoting mental, sexual, travel and eye health, providing individual lifestyle advice. Hazard-specific health screening has reported no instance of occupational ill health.

RADIOLOGICAL SAFETY

As part of STFC's ongoing commitment to managing and reducing the radiation exposure of individuals in line with 'as low as reasonably practicable' (ALARP) principles, RPAs/RWAs provided the focus for the ongoing revision and application of radiation local rules, completion of prior risk assessments, and development of safe systems of work, with radiation protection supervisors for all work involving ionising radiation hazards.

RPAs/RWAs continue to develop and audit the implementation of STFC's radiation management SHE codes independently. The internal audit programme continues to provide focus and impetus to improve STFC radiation management. The audit programme has identified non-compliances with radiation SHE Codes which have been raised and addressed by relevant department directors.

Landauer Inc. and Mirion Technologies provide STFC with an HSE-approved dosimetry service during 2014-15, making statutory returns to both the HSE's Central Index of Dose Information and Public Health England's (formerly the Health Protection Agency's) National Registry for Radiation Workers. Personal doses continued to be low.

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

DL

DL RPA/RWA advice continues to be provided by a contract RPA, and the DL radiation protection officer (RPO) is the first point of contact for radiation issues and responsible for providing operational Health Physics support for the DL site.

The RPO and RPA continued to provide support to radiation test facilities for the Accelerators and Lasers in Combined Experiments (ALICE) programmes, and the continued commissioning of the Versatile Electron Linear Accelerator (VELA). Advice was provided on the design of a new facility – Compact Linear Accelerator for Research and Applications (CLARA); content of Local Rules and prior radiological risk assessments. Radiation surveys were carried out for X-ray generating equipment and at key radiation test facility commissioning milestones.

Radiation protection advice was provided for a new computerised tomography (CT) medical imaging facility at DL - a collaboration between STFC, the Department of Nuclear Medicine at the Royal Liverpool University Hospital Trust, and Liverpool University. This facility recently opened and provides trainee medical physicists with access to advanced CT imaging equipment outside of a hospital environment.

Operational health physics work, including management of radioactive materials, radiation surveys, provision of personal dosimetry and management of health physics instrumentation, continue to be carried out by the RPO.

There are no longer classified radiation workers at DL, however, about 40 non-classified workers were provided with regular personal dosimetry as part of the laboratory's demonstration that doses are ALARP. The majority of recorded doses to non-classified workers were below minimum detectable limits.

Successful applications were made to the EA to vary the DL site permits for both open sources and waste and sealed sources, to encompass the requirements of the new facilities.

RAL

RPA advice and assistance was provided for a wide range of new experiments including: Muon Ionization Cooling Experiment (MICE); new or modifications to existing ISIS TS1 and TS2 beam lines; Downstream EPB 1 refurbishment; radioactive waste management; characterisation of radioactive waste and X-ray set critical examinations.

On-going engagement with the Environment Agency (EA) in respect to radioactive materials accountancy and security continues. Considerable work has been undertaken to complete a Best Available Techniques (BAT) assessment of disposal options and a disposal plan in preparation for establishing a new EA permit for the accumulation and disposal of legacy and operational radioactive materials. The appointment of additional resource and on-going improvements in the accountancy and management of radioactive materials and wastes will continue into 2015-16. The work is still in progress, but an acceptable outcome is anticipated.

Annual, calendar year, radiation doses for ISIS classified workers remained within or close to its ISIS dose investigation level of 3mSv/year and for other RAL employees and contractors below their 1mSv/year dose investigation level.

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

| Year | Dose (mSv) | | | | | | | Total Persons |
|-------------|---------------|------------------------|------------------------|------------------------|------------------------|------------------------|-----------|------------------|
| | 0.00- 0.09 | 0.1 0 – 0.4 9 | 0.5 0 – 0.9 9 | 1.0 0 – 1.9 9 | 2.0 0 – 2.9 9 | 3.0 0 – 3.9 9 | >3. 99 | |
| 2013 | 335 | 147 | 19 | 6 | 5 | 1 | 0 | 513 |
| 2014 | 339 | 130 | 16 | 16 | 5 | 2 | 0 | 508 |

The dosimetry results are comparable with previous years except with an increase in doses in the 1.00-1.99 mSv range. This result is not unexpected and reflects an increased radiation work load.

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 148 GBq of tritiated water vapor and 7.1 TBq of other nuclides were typical of previous years and well within EA permitted annual limits of 2,500 GBq and 200 TBq respectively.

Annual disposals of solid and liquid radioactive wastes, via approved and licensed disposal routes, from RAL were in compliance with its EA Permit: 1.3 GBq tritiated water and 0.35 MBq beta/gamma to sewer; 16 MBq tritium and 8.3 MBq beta/gamma solids; 250 GBq tritium and 7 TBq tritium to air.

INFORMATION ASSURANCE

PERSONAL DATA RELATED INCIDENTS

During 2014-15 there has been one reportable incident involving personal data. Tables 1, 2 and 3 illustrate this using the structure and format established by the Cabinet Office in 2008-09.

TABLE 1: SUMMARY OF PROTECTED PERSONAL DATA RELATED INCIDENTS FORMALLY REPORTED TO THE INFORMATION COMMISSIONER'S OFFICE IN 2014-15

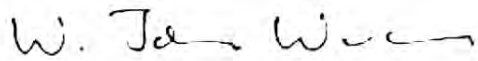
| | | | | |
|------------------------------------|--|--------------------------------|---------------------------------------|--|
| Statement on information risk | <p>STFC continues to implement the Security Policy Framework (SPF) as well as identify areas for improvement within its information security environment by implementing best practice from the likes of the Cyber Essentials Scheme, 10 Steps to Cyber Security and CESG's End User Device standards.</p> <p>Each year STFC has improved its SPF score; these improvements are independently audited and verified by the AASG through the annual departmental security health check process.</p> <p>Outcomes from a number of independent assurance reviews of information security this reporting year have been used to support and develop known areas for improvement. These include:</p> <ul style="list-style-type: none"> the development of a set of End User Device standards the development of a formal Incident Management Policy implementation of the new Government security classification plans to implement a security incident and event management system plans to implement an intrusion detection/prevention system plans to implement a mobile device management system. <p>STFC has arrangements in place to monitor and assess its information risks and will continue to identify and address any weaknesses and ensure continuous improvements of its systems.</p> | | | |
| Date of incident (month) | Nature of incident | Nature of data involved | Number of people potentially affected | Notification steps |
| June | Unauthorised disclosure of personal sensitive information | Annual performance review data | 27 | ICO and BIS informed Impacted staff |
| Further action on information risk | <p>Lessons Learnt sent to all staff</p> <p>Information Security Training Standards created</p> <p>Review of information handling</p> | | | |

Incidents deemed by the Data Controller (STFC) not serious enough to fall within the criteria for report to the Information Commissioner's Office or BIS but recorded centrally within STFC are set out in Table 2 below. Small, localised incidents that do not involve STFC personal or sensitive data are not cited in these figures.

| Category | 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 | 2 |
| V | Other | 7 |

| Total number of protected personal data related incidents formally reported to the Information Commissioner's Office, by category number. | | | | | | | Total number of other protected personal data related incidents by category number. | | | | | | |
|---|---|----|-----|----|---|-------|---|---|----|-----|----|---|-------|
| | I | II | III | IV | V | Total | | I | II | III | IV | V | Total |
| 2014-15 | 0 | 1 | 0 | 0 | 0 | 1 | 2014-15 | 0 | 0 | 0 | 2 | 7 | 9 |
| 2013-14 | 0 | 0 | 0 | 0 | 0 | 0 | 2013-14 | 0 | 0 | 0 | 4 | 0 | 4 |
| 2012-13 | 0 | 0 | 0 | 0 | 0 | 0 | 2012-13 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2011-12 | 0 | 0 | 0 | 0 | 1 | 1 | 2011-12 | 0 | 0 | 0 | 0 | 0 | 0 |
| 2010-11 | 0 | 0 | 0 | 0 | 0 | 0 | 2010-11 | 0 | 0 | 0 | 0 | 0 | 0 |

Signed:

A handwritten signature in black ink that reads "W. John Womersley". The signature is written in a cursive style with a large initial 'W'.

John Womersley

Accounting Officer

Date: 23rd June 2015

REMUNERATION REPORT

COUNCIL CHAIR AND MEMBERS

The Knowledge and Innovation Group (K&I) within BIS advises research councils of the rates they are required to pay and these are reviewed annually.

CHIEF EXECUTIVE

The remuneration of all Research Council Chief Executives is determined by a Remuneration Committee chaired by the Director General, Knowledge and Innovation (DGKI) and approved by the BIS Permanent Secretary. 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, their basic salaries may be revalorised in line with any cost of living increases in the Senior Civil Service.

At the beginning of each year, the 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 assessment of overall performance and specific achievements against objectives for annual and appointment term objectives.

The Remuneration Committee then meets to review the Chief Executives' performance and to agree its recommendations, for approval by the BIS Permanent Secretary, taking into account the assessments and any comments in the papers.

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

OTHER SENIOR EMPLOYEES

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

Membership during 2014-15 was:

Mrs Gill Ball, Chair and Council Member

Mr Marshall Davies, Audit Committee Chairman and Council Member

Mr Gerard Connell, Council Member and Remuneration Chair-designate (attended one meeting in 2014-15)

Professor John Womersley, Chief Executive, also attended as an observer.

Mr Gordon Stewart acted as secretary to the Committee.

The Committee considered senior basic pay rates taking account of the Government's guidance that the overall increase to the senior staff pay bill should not exceed 1%. Noting that the senior staff bonus arrangements were designed to reward high individual performance and that bonus payments fell outside the 1% basic pay limit, the Committee agreed that the job evaluation-based spot salary points and individual salaries of senior staff should be increased by 1%, with the increase in some cases being subject to acceptance of a revised personal contract.

In determining bonus payments relating to performance in 2013-14 (but paid for in 2014-15) the Committee took account of the guidance of the sponsoring department on bonus awards for senior staff and allocated 5% (2013-14: 5%) of the senior staff pay bill for bonuses. That sum was allocated on the basis of an assessment of each individual's performance during the year, taking account of each individual's self-assessment; his/her line manager's appraisal of that self-assessment, and the Committee's own moderation of these. A bonus was paid only where there was demonstrable achievement beyond what is specified in the individual's job description. The resulting individual bonus payments ranged from 3% to 7% of basic salary.

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:

<http://publicappointmentscommissioner.independent.gov.uk>. In accordance with the Code, vacancies are advertised nationally and a panel, including independent members, oversees the process. The panel reviews all applications, shortlists and interviews, and then makes a recommendation to the Secretary of State. All appointments to Council are subject to final approval by the Prime Minister. An offer of appointment is issued by the BIS K&I Group 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 or four years initially with the possibility of reappointment for up to a further three years. Council Chair appointments are made for four years with the possibility of reappointment for up to a further four years. Appointments are non-pensionable and there is no compensation for loss of office.

OTHER SENIOR EMPLOYEES

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

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

Early termination of employment, other than for misconduct, would result in the individual receiving compensation by analogy with the provisions of the Civil Service Compensation Scheme or as specified in individual contracts of employment.

AUDITED INFORMATION

REMUNERATION OF COUNCIL MEMBERS

The Council comprises external appointees and the Chief Executive. The Chief Executive's remuneration is detailed below. The standard honorarium paid to Council members remained unchanged at £6,850 effective from 1 October 2009. Council members may receive additional honorarium for chairing advisory committees. 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 | |
|---|--|--|------------------|---------|
| | | | 2014-15 | 2013-14 |
| | | | £'000 | £'000 |
| Mrs Gill Ball OBE | | | 5-10 | 5-10 |
| Professor Martin Barstow FRSA FInstP | | | 5-10 | 5-10 |
| Dr Brian Bowsher | | | 5-10 | 5-10 |
| Mr Gerard Connell | | | 5-10 | 5-10 |
| Mr Marshall Davies | | | 5-10 | 5-10 |
| Professor Dame Julia Goodfellow | | | 5-10 | 5-10 |
| Professor Carole Mundell (from 23 March 2015) | | | - | - |
| Professor Jordan Nash (from 23 March 2015) | | | - | - |
| Professor David Price FGS | | | 5-10 | 5-10 |
| Professor Sir Michael Sterling FREng (Chair) | | | 20-25 | 15-20 |
| Professor James Stirling CBE FRS | | | 5-10 | 5-10 |
| Mr Ian Taylor | | | 5-10 | 5-10 |
| Dr Richard Worswick | | | 5-10 | 5-10 |

The Council reimburses travel and subsistence expenses necessarily incurred by Council members attending meetings or undertaking other tasks arising from their membership, in accordance with the conditions and at the rates applying to the Council's employees. The amount reimbursed for 2014-15 was £4,579 (2013-14: £4,714).

SALARY AND PENSION ENTITLEMENTS OF SENIOR EMPLOYEES

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

| | 2014-15 £'000 | | | 2013-14 £'000 | | |
|---|---------------|-------|----------------------------------|---------------|-------|----------------------------------|
| | Remuneration | Bonus | Total Remuneration (inc pension) | Remuneration | Bonus | Total Remuneration (inc pension) |
| Professor John Womersley | 130-135 | 5-10 | 165-170 | 125-130 | 10-15 | 165-170 |
| Dr Timothy Bestwick * | 80-85 | 0-5 | 85-90 | 80-85 | 0-5 | 110-115 |
| Professor Grahame Blair | 95-100 | 0-5 | 110-115 | 95-100 | 0-5 | 140-145 |
| Dr Sharon Cosgrove | 95-100 | 5-10 | 140-145 | 95-100 | 5-10 | 145-150 |
| Mr Neil Phimister (appointed February 2014) | 100-105 | n/a | 140-145 | 95-100** | n/a | 95-100 |
| Mr Gordon Stewart | 105-110 | 0-5 | 155-160 | 105-110 | 5-10 | 160-165 |
| Dr Andrew Taylor | 105-110*** | 0-5 | 140-145 | 95-100 | 5-10 | 95-100 |
| Band of highest paid Director | 135-140 | | | 140-145**** | | |
| Median Total Remuneration | 36,033 | | | 36,033 | | |
| Ratio | 3.82 | | | 3.95**** | | |

- Remuneration includes any allowances but not benefits in kind or employer's pension contribution.*
- Full year equivalent salary is shown for those senior employees that have only served on the Board for part of the year.*
- Due to the timing of the senior staff appraisal process, the bonuses disclosed for 2014-15 were paid in 2014-15 and relate to performance in 2013-14; and those disclosed for 2013-14 were paid in 2013-14 and relate to performance in 2012-13. The bonus paid to Professor Womersley in 2013-14 related to performance over the 17-month period to 31 March 2013.*
- In line with previous years, an estimated figure for senior staff bonuses relating to 2014-15 has been accrued and individual bonus payments will be reported in the 2015-16 Remuneration Report.*
- The total remuneration figure includes gross salary, allowances, bonuses and value of pension benefits (which after taking account of inflation and the employee's own pension contributions, may be negative).*

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

*** Mr Neil Phimister was appointed on 24 February 2014. His remuneration during 2013-14 was in the £5k-£10k band.*

**** Dr Andrew Taylor's 2014-15 remuneration includes arrears of pay of £7,625 following his acceptance of a new personal contract.*

*****Restated to include performance related bonus.*

BENEFITS IN KIND

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

No members of the Executive Board received benefits in kind in 2014-15 (2013-14: Nil).

PENSION BENEFITS

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

Real increase in pension and related lump sum at age 60

| | Accrued pension at retirement age as at 31/3/15 and lump sum | Real increase /(decrease) in pension and related lump sum at retirement age | CETV at 31/3/15 | CETV at 31/3/14 | Real increase in CETV |
|---|--|---|-----------------|-----------------|-----------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 |
| Professor John Womersley | 20 - 25 plus no lump sum | 0 - 5 plus no lump sum | 323 | 280 | 20 |
| Dr Timothy Bestwick* | n/a | n/a | n/a | - | - |
| Professor Grahame Blair | 5-10 plus no lump sum | 0-5 plus no lump sum | 71 | 58 | 2 |
| Dr Sharon Cosgrove | 10-15 plus no lump sum | 0-5 plus no lump sum | 170 | 133 | 21 |
| Mr Neil Phimister (appointed February 2014) | 0-5 plus no lump sum | 0-5 plus no lump sum | 27 | - | 18 |
| Mr Gordon Stewart | 20 -25 plus no lump sum | 0-5 plus no lump sum | 235 | 199 | 16 |
| Dr Andrew Taylor | 45-50 plus 145-150 lump sum | 0-5 plus 0-5 lump sum | 1,041 | 993 | 44 |

**prior year pension benefit has been restated as nil. As noted above Timothy Bestwick is not a member of the Research Councils' Pension Scheme.*

ACCRUED PENSION

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age or immediately on ceasing to be an active member of the scheme if they are already at or over pension age. Pension age is dependent on the scheme in which the individual is a member.

CASH EQUIVALENT TRANSFER VALUES

A cash equivalent transfer value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits

valued are the member's accrued benefits and any contingent spouse's or partner's pension payable from the scheme. A CETV is a payment made by a pension scheme 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 the former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

The CETV figures include the value of any pension benefit in another pension scheme or arrangement which the individual has transferred to the Research Councils' pension arrangement and for which the RCPS has received a transfer payment commensurate with the additional pension liabilities being taken on. They also include any additional pension benefit accrued to the member as a result of their buying additional pension benefits at their own cost.

REAL INCREASE IN CETV

The real increase in the value of the CETV reflects the increase 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:



John Womersley

Accounting Officer

Date: 23rd June 2015

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 Secretary of State for BIS has designated the Chief Executive of the STFC as Accounting Officer of STFC. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for the keeping of proper records and for safeguarding STFC's assets are set out in '*Managing Public Money*'.

STFC GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

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

THE PURPOSE OF THE GOVERNANCE STATEMENT

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

THE ORGANISATION'S GOVERNANCE FRAMEWORK

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

There are adequate arrangements in place to ensure a sound governance framework within STFC. There is a clear structure in place with reporting lines evident and terms of reference to support the individual Boards / Committees in their decision making processes. Council is supported by its sub-groups who are consulted and provide advice in specific areas of business:

1. Audit Committee – governance, control and risk management
2. Science Board – scientific strategy
3. Finance Committee - major investment decisions
4. Remuneration Committee – senior staff remuneration
5. Innovation Advisory Board - content, balance and priorities of STFC's existing and future innovation programme
6. Skills and Engagement Advisory Board - development of the skills

All committee members and staff are required to declare any potential conflicts of interests promptly and at the commencement of each meeting to ensure that decisions being taken have been taken on a fair and equal basis.

COUNCIL

The Council, STFC's governing body, is appointed by the Secretary of State for Business, Innovation and Skills. Council membership is reflective of our stakeholder base with representation from academia, public service and industry.

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

Council continues to hold bi-monthly formal meetings. During the year Council's main activities included:

- overseeing STFC's strategic direction;
- taking forward recommendations from the Triennial Review, including overseeing a review of Diamond Light Source;
- monitoring progress against the Delivery Plan and Operating Plan;
- Planning for the comprehensive spending review;
- long term financial planning and performance;
- funding of STFC's National Facilities; and
- major management issues including the CSD Change Programme and campus-related matters and requests to bid for large contracts.

A register of Council Members' private, professional and commercial interests is maintained by the Council. The register and further details on the STFC Council and its advisory committees are available on the STFC website.

Council members carry out an annual self-assessment exercise and continue to seek to improve their performance based on the outcome of this exercise. In 2014, the Research Councils' Audit and Assurance Services Group (AASG) carried out an independent assessment of Council. The overall assurance given by AASG was 'moderate' and Council has adopted recommendations which will help improve its overall effectiveness.

Executive Board (EB)

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

EB concluded on a satisfactory overall assessment and has made good progress this year. It acts as a cohesive unit, is focused on the key issues and will continue to seek further improvement. EB has worked well with BIS and other external stakeholders and continues to increase its engagement with peer organisations and internally within STFC.

Audit Committee

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

The Audit Committee authorised by Council to investigate any activity. The key items of discussion this year include:

- STFC Annual Report and Accounts;
- UK SBS Ltd;

- Major initiatives, including the ESS;
- Director Stewardship Statements;
- Risk Management reviews;
- Safety, Health & Environmental; and
- AASG audit reports and implementation of the resulting recommendations.

Audit Committee periodically and continuously reviews its performance and the outcome of these reviews is reflected in an Annual Report to Council. There is a consistent agenda followed, with an opportunity for the members to declare any conflicts of interest at the outset of the meeting. All actions arising are clearly documented within the minutes and are followed up as a standard item on the agenda.

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

| Non-Executive Attendance | Council | Audit Committee |
|---|----------------|------------------------|
| Professor Sir Michael Sterling FREng (Council Chair) | 6/6 | 1/1 |
| Professor John Womersley (Chief Executive) | 6/6 | |
| Mrs Gill Ball OBE, University of Birmingham | 4/6 | 4/4 |
| Professor Martin Barstow FRSA FInstP, University of Leicester | 4/6 | |
| Dr Brian Bowsher, National Physical Laboratory | 5/6 | |
| Mr Gerard Connell, Independent Advisor | 5/6 | |
| Mr Marshall Davies, Independent Advisor (Audit Committee Chair) | 6/6 | 4/4 |
| Professor Dame Julia Goodfellow, University of Kent | 6/6 | |
| Professor David Price FGS, University College London | 2/6 | |
| Professor James Stirling CBE FRS, University of Cambridge | 5/6 | |
| Mr Ian Taylor, Independent Advisor | 6/6 | |
| Dr Richard Worswick, Cobalt Light Systems Ltd | 6/6 | |
| Mr David Noble (Independent Advisor) | N/A | 4/4 |
| Mrs Angela Marshall (Independent Advisor) | N/A | 4/4 |

The Risk and Internal Control Framework

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

- clear direction on priorities through clear strategies, plans, policies and procedures;
- clear delegation of authority and accountability;
- regular oversight, including risk review and reporting; and

- management assurance (e.g. stewardship returns, embedded risk management) and independent assurance (e.g. internal audit) which review performance, compliance and effectiveness of controls.

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

Directors are required to carry out a risk review and include a statement on significant matters within 'Stewardship Statements'. Outcomes from Departmental risk reviews are linked through to the corporate risk register and reflected in reporting to Executive Board and Audit Committee.

The key risks as reflected in the STFC Corporate Risk Register are:

- Staffing
- UKSBS Service delivery
- Hartree Centre, Phase 3
- SKA
- Government Reviews
- Future Funding
- The European Extremely Large Telescope (E-ELT)
- Capital projects (delivery)
- ESS
- Financial planning and management
- Harwell Campus

All of these risks are included on the Corporate Risk Register as they are assessed as inherently high risk. The Corporate risk register is overseen by Executive Board and the majority of these risks have been managed down to a lower and tolerable residual risk level.

The impending Comprehensive Spending Review (CSR) is the critical event that cuts across many of the risks highlighted above. The settlement we receive will influence the options we have for dealing with the majority of risks identified.

The top 4 risks listed above remain at a high level of residual risk and are reflected in the significant issues highlighted later in this statement.

Review of Effectiveness

As Accounting Officer I have been advised of my responsibilities and accountabilities. My review is informed by the day-to-day management processes as reflected in the STFC 'Assurance Framework' which is consistent with HM Treasury's 'Three Lines of Defence'.

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

We fulfil our responsibilities by a range of mechanisms including:

- strong operational oversight through line management activities and board oversight through Operations Board and its sub-groups;
- communication of comprehensive plans, policies and procedures, across the full range of our activities;

- highly skilled staff with expertise, experience and a track record for delivering high end facilities and novel and complex projects; and
- embedded oversight and review activities that continually challenge our priorities, performance and control.

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

Director Stewardship Statements

STFC directors provide annual ‘Stewardship Statements’ on their areas of responsibility, which provide additional management assurance on the system of internal control and the risks faced by STFC. These returns provide a generally positive assessment of STFC operations but highlight concerns relating to staffing; UK SBS service delivery; major initiatives and funding.

Audit and Assurance Services Group (AASG)

The Director of the Audit and Assurance Service Group (AASG), the STFC’s internal auditor, is required to provide me with an opinion on the overall adequacy and effectiveness of the STFC’s framework of governance, risk management and control. The work of the AASG provides assurance in three areas: core STFC activities; cross-Council activities which STFC is involved in and the Funding Assurance Programme.

Sufficient internal audit work has been undertaken to allow the DIA to provide a positively stated [evidence-based] and reasonable assurance opinion on the overall adequacy and effectiveness of STFC’s system of internal control. The overall opinion is ‘Moderate Assurance’ to reflect an environment where some improvements are required to enhance the adequacy and effectiveness of the framework of Governance, Risk Management and Control. There are no qualifications to this opinion.

STFC core audit programme

Of the 17 audits carried out under the core assurance programme, 24% [4] reflect substantial assurance, 18% [3] reflect moderate assurance, and 29% [5] were advisory. 29% [5] received limited assurance. Audits receiving limited assurance include:

- Corporate Services Directorate Change Programme;
- Capital Projects – Governance;
- Business Continuity Planning;
- Information Security; and
- Insurance.

Cross-Council audit programme

19 cross-client audits were carried out relevant to STFC. 30% [6] received substantial assurance and 50% [10] received moderate assurance. 5% [1] of the audits received an overall rating of limited assurance: Research Funding Programme (RFP) - Programme Management.

No significant individual control weaknesses were identified through the STFC and cross-Council programmes that should be disclosed in the governance statement. Action is in hand to implement the recommendations made in all audit reports and progress on implementation is routinely monitored by Executive Board.

Funding Assurance Programme

Funding assurance – Funding assurance activities have maintained focus on substantive testing of the control environment within research organisations and its effectiveness in ensuring compliance with the Research Councils' terms and conditions which accompany these funding streams. In 2014-15, 27 assurance assignments were undertaken, comprising 7 visits, 3 enhanced desk based reviews and 17 desk based reviews. Findings for the year across this activity indicate that a satisfactory level of assurance can be reported based on the work undertaken.

Significant issues

As a consequence of the risk management and review processes described above I have concluded on an overall positive control environment. Whilst we continue to face tough challenges and choices to deliver our Strategy and Delivery Plan, STFC continues to be a trusted partner for major investment and a track record of delivery of quality science, world class facilities and strong governance. Nevertheless, I highlight the following significant issues that continue to receive close attention at Executive Board:

Financial management

Consistent with all public sector bodies STFC continues to work within tight financial constraints and maintains close scrutiny over its financial decisions and performance. STFC has had a relatively solid funding base from Government but the impending CSR outcomes are critical to our continued successful performance. In addition STFC expends and receives material financial resources in foreign currency, most notably but not exclusively relating to expenditure on international subscriptions. STFC has robust monitoring and management arrangements, approved by BIS, for dealing in foreign currencies.

Major initiatives

We work in an environment of high value, complex and novel technologies and facilities. A number of major capital initiatives are captured on our Corporate Risk Register, including Hartree 3, ESS and SKA. It is critical that STFC establishes robust governance structures around these projects. STFC has in place a good project management framework and has a track record for delivering high end facilities and novel and complex projects. However, it is also evident that downstream STFC will face major funding decisions relating to securing appropriate resource funding and/or balance its activities within allocated funds.

Staffing

We continue to lose staff in Science Engineering and Technology (SET) roles due to lack of competitiveness on pay in recruitment. This has also impacted our ability to retain existing staff due to the high-level of competitiveness in the local economy. STFC continues to liaise with BIS to explore options in respect of pay flexibility.

Pay remit

For the 2014-15 pay remit, we have identified a breach of the pay remit process due to STFC agreeing to increase the on call arrangements for staff. Retrospective approval has been received and a review is in hand ensure we implement appropriate governance and closer working with BIS to ensure further breaches do not occur.

Prepayments

During the year STFC made a £490,000 prepayment in respect of library subscriptions. Subsequently the managing agent went into liquidation and STFC suffered a loss in relation to full amount of the prepayment. An investigation identified a number of process weaknesses and action is in hand to address these.

UK SBS Ltd

The UK SBS Ltd provides processing services in human resources, procurement, payroll, finance, grants and IT to all seven Research Councils. Last year our Annual Governance Statement (AGS) noted that ownership and control of UK SBS Ltd passed from the Research Councils to BIS.

In 2014-15 there have been significant changes in the UK SBS assurance provision. The Government Internal Audit Agency (GIAA) now has the responsibility for the UK SBS Ltd audit programme. The GIAA reports provide input to a UKSBS CEO's Quarterly Assurance Letter which provides the cornerstone of the assurance I receive regarding UK SBS Ltd.

Through the quarterly CEO Assurance Letters and the outcomes of GIAA audits I note a limited assurance opinion for the effectiveness of internal controls within the Company as a whole. In addition I note moderate assurance opinion for the effectiveness of internal controls relating to customer processes. I welcome the assurances provided and as a result of this framework I highlight the following:

- It is pleasing to note that UK SBS has continued to deliver in a number of areas and many improvements have been noted in their performance.
- UK SBS continues to operate in a challenging environment with often changing and sometimes conflicting priorities. During the year this has included and continues to include:
 - uncertainty relating to staff reductions;
 - the planned transfer of some transactional services to Shared Services Connected Limited (SSCL), although a decision has now been made to discontinue on this path;
 - the upgrade of the Oracle 12.0.6 Platform;
 - the transfer of the Peer Review Process back to the Research Councils; and
 - the BIS 2020 Review.

Whilst some progress has been made to improving the control framework in UK SBS over the last 12 months the controls have yet to become sufficiently embedded in the organisation. The scope and scale of improvements required across parts of the framework for the Company are significant, particularly in relation to:

- IT governance and management;
- procurement;
- payroll; and
- disaster recovery

In addition to the assurances provided by UKSBS I am informed by a wider review with cross-council customer governance groups and other cross-council groups. These reviews highlight:

- A number of improvements in performance and control but also highlights a challenging and changing business environment and the loss of experienced staff. This is coupled with a decline in the pace at which change and improvements are being delivered.
- The need to revisit the continued relevance of the Master Service Agreement (MSA) and Critical Performance Indicators (CPIs) across all services. Action is in hand to review CPIs relating to HR, Payroll, Procurement and ISS system bandwidth.
- Shortfalls on a significant number of existing CPIs across all services, with a caveat, that performance within Finance Service Delivery and Grants Service Delivery have, overall, been fairly steady with some exceptions.

- Across service areas councils continue to work with UK SBS and seek improvements in relation to:
 - Procurement
 - Recruitment
 - Debt management
 - The Fixed Asset module
 - Business Continuity and Disaster Recovery

I accept the general picture provided by the UK SBS Ltd Chief Executive in that the organisation has undergone significant change and reorganisation in 2014-15, I am pleased to note that UK SBS Ltd have clearly recognised that problems and issues exist and have been transparent and open in reporting these in the most recent assurance letter. Even so, the current assurance picture clearly highlights the need for continued improvement. This may be indicative of resource issues, the impact of which we have yet to fully feel as personnel continue to leave.

There is no room for complacency and I will expect a significant improvement in the assurance levels and the level of service through 2015-16. STFC, in concert with the other RCs, will support UK SBS going forward and continue to monitor ongoing performance both by UK SBS and within RC operations.

Regularity and Propriety

STFC is committed to establishing and applying appropriate standards of regularity and propriety, including applying appropriate cultures and behaviours and does not tolerate any form of fraud, bribery and/or corruption. It is important in this context that we guard against the perception of impropriety as well as the reality. I have been informed of potentially two instances of attempted fraud which had been identified, avoided and an independent investigation carried out.

As a consequence of the Cabinet Office Fraud & Error Mandate we continue to operate structures and systems for fraud and error which include:

Board level Counter fraud & Error accountability;

Fraud & Error Capacity assessment;

Fraud & Error risk assessment;

Fraud & Error Action Plan;

A cross Council harmonised Whistleblowing Policy; and

Mandatory counter-fraud training for all staff.

These reviews represent STFC's continued approach to Managing Risk of Financial Loss. The outcome of these reviews was that there were no particular high risk areas of fraud and error.

SHE

STFC SHE management system is established, documented and communicated to all staff. A full commentary on these SHE activities is included in the Directors Report.

In 2013-14 we reported the Environmental Agency (EA) focus on radioactive material management and accountancy. This has continued in 2014-15 and under the direction of the EA the STFC re-classified significant quantities of legacy stored radioactive materials as waste. As a consequence of this reclassification STFC was in breach of our permitted accumulation times, volumes and activities for these materials. STFC in consultation with the EA are reviewing BAT for radioactive materials management/disposal and radioactive waste

disposal plans. The EA are likely to issue a permit that will drive accelerated disposal programmes for our legacy waste materials. This will establish new permit conditions under which RAL will be compliant. EA scrutiny and oversight of RAL site radioactive waste plans and their disposal is likely continue for the foreseeable future while the legacy materials remain.

Information Assurance

STFC continues to implement the Security Policy Framework (SPF) as mandated by BIS. To date there have been no serious lapses of data security. The SPF is established, documented and communicated to all staff. Each year STFC has improved its SPF score; these improvements are independently audited and verified by the AASG through the annual Security Risk Management Overview (SRMO) process.

There have been no significant data losses although a small number of near misses have occurred. In each case we have notified the relevant parties, carried out reviews into each incident and made control improvements as appropriate. A full commentary on information assurance is included in the Directors Report.

Partner Organisations

STFC works closely with a number of organisations, both nationally and internationally. These partner organisations may reflect collaborative activities, subsidiaries, joint ventures or major outsourced service provision.

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

Macpherson Review

The review of quality assurance of Government analytical models undertaken by Sir Nicholas Macpherson and published by HM Treasury in March 2013 made a number of recommendations for Government departments and their arm's length bodies. STFC has reviewed its use of analytical modelling and has concluded that at this time none of the models currently in use can be considered to be business critical as defined by the review. Any developments to the content and application of existing models and the development and implementation of new models will be considered against the Macpherson recommendations. Those models that are in future considered to be business critical will be reported as required through BIS.

Tax Compliance (Alexander Review)

The Alexander Review was published in May 2012 making a number of recommendations to ensure that the highest standards of integrity could be demonstrated in the tax arrangements of senior public appointees. I confirm that STFC is compliant with the requirements of the Alexander Review.

In 2014-15 STFC identified a small number of contractors who fell within the Alexander Review criteria. STFC has sought and gained assurance that the appropriate tax arrangements are in place for the contractors identified.

Conclusion

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

Whilst I reiterate that we have major challenges ahead, we go forward with a strong foundation. We have delivered and helped deliver major successes in our programme over the past year. We have secured significant additional capital investments in our campuses and facilities demonstrating confidence in our plans and the important part they play in contributing to the economy. The Government remains strong in expressing its support for science and innovation as drivers of economic recovery.

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

Signed:



John Womersley

Accounting Officer

Date: 23rd June 2015

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 2015 under the Science and Technology Act 1965. The financial statements comprise: the Group and Parent Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Board, Accounting Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the Science and Technology Facilities Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by 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 material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of Science and Technology Facilities Council's affairs as at 31 March 2015 and of the group's and the parent's net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Science and Technology Act 1965 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

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

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse

Date 26th June 2015

Comptroller and Auditor General

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE

FOR THE YEAR ENDED 31 MARCH 2015

| | | STFC | Consolidated | Consolidated |
|--|-------------|-----------------|---------------------|---------------------|
| | | 2015 | 2015 | 2014 |
| | Note | £'000 | £'000 | £'000 |
| Continuing Operations | | | | |
| Expenditure | | | | |
| Staff costs | 4 | 90,033 | 90,033 | 89,177 |
| Restructuring | 5 | (108) | (108) | 210 |
| Research grants | 6 | 93,156 | 93,156 | 82,266 |
| Other grants and awards | 7 | 59,944 | 59,944 | 42,720 |
| International subscriptions | 8 | 147,761 | 147,761 | 146,666 |
| Equipment and supplies | | 34,776 | 34,776 | 31,065 |
| Services | | 24,940 | 24,940 | 24,735 |
| Intangible amortisation | 12 | 649 | 649 | 475 |
| Intangible impairments | 12 | (1) | (1) | (1) |
| Depreciation | | 56,549 | 56,549 | 53,117 |
| Property, plant and equipment impairments | 13 | 13 | 13 | 1,572 |
| Joint venture funding | 14 | 45,811 | 45,811 | 40,433 |
| Notional charge for UK SBS Ltd Services | 1.32 | 5,216 | 5,216 | 5,216 |
| Other expenditure | 9 | 32,036 | 32,036 | 31,993 |
| Total expenditure | | 590,775 | 590,775 | 549,644 |
| Income | | | | |
| Income from operating activities | 10 | (72,755) | (72,755) | (66,196) |
| Total income | | (72,755) | (72,755) | (66,196) |
| Net operating expenditure | | 518,020 | 518,020 | 483,448 |
| Interest receivable | 11 | (346) | (346) | (312) |
| Unwinding of discount provisions | 21 | 223 | 223 | 218 |
| Share of post-tax losses of joint ventures | 14 | - | 27,856 | 26,376 |
| Loss on disposal of tangible assets | | 249 | 249 | 121 |
| Loss on disposal of assets held for sale | | - | - | 33 |
| Net expenditure from continuing operations | | 518,146 | 546,002 | 509,884 |
| Net expenditure from discontinued operations | 27 | 3,745 | 3,745 | 8,757 |
| Net expenditure for the year | | 521,891 | 549,747 | 518,641 |
| Less notional charge for UK SBS | 1.32 | (5,216) | (5,216) | (5,216) |
| Net expenditure for the year after the reversal of notional charge for UK SBS | | 516,675 | 544,531 | 513,425 |
| Other comprehensive expenditure/(income) | | | | |
| Net gain on revaluation of property plant and equipment | 13 | (12,493) | (12,493) | (34,908) |
| Net gain on revaluation of intangible assets | 12 | (52) | (52) | (43) |
| Net (gain) / loss on revaluation of investments | 14 | - | 31,843 | (53,665) |
| Net movement on cash flow hedges | 17 | (349) | (349) | 4,685 |
| Total comprehensive net expenditure for the year ended 31 March 2015 | | 503,781 | 563,480 | 429,494 |

Notes

a. Discontinued operations are separately disclosed above, see note 27 for further detail;

The notes on pages 61 to 112 form part of these Financial Statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2015

| | | | 2015 | 2014 |
|--|------|--|------------------|------------------|
| | | | £'000 | £'000 |
| | Note | | | |
| Non-current assets | | | | |
| Intangible assets | 12 | | 1,692 | 2,120 |
| Property, plant and equipment | 13 | | 731,391 | 703,362 |
| Interests in joint ventures | 14 | | 404,396 | 431,652 |
| Trade and other receivables | 15 | | 4,909 | 4,747 |
| Other financial assets | 16 | | 9,771 | 9,701 |
| Total non-current assets | | | 1,152,159 | 1,151,582 |
| Current assets | | | | |
| Trade and other receivables | 15 | | 55,537 | 51,447 |
| Cash and cash equivalents | 18 | | - | 3,749 |
| Total current assets | | | 55,537 | 55,196 |
| Non-Current Assets classified as held or sale | 19 | | 678 | - |
| Total assets | | | 1,208,374 | 1,206,778 |
| Current liabilities | | | | |
| Trade and other payables | 20 | | (72,281) | (85,930) |
| Derivative financial instruments | 17 | | (1,913) | (2,262) |
| Cash and cash equivalents | 18 | | (2,272) | - |
| Total current liabilities | | | (76,466) | (88,192) |
| Non-current assets less net current liabilities | | | 1,131,908 | 1,118,586 |
| Non-current liabilities | | | | |
| Trade and other payables | 20 | | (2,044) | (3,026) |
| Provisions | 21 | | (33,882) | (35,017) |
| Total non-current liabilities | | | (35,926) | (38,043) |
| Assets less liabilities | | | 1,095,982 | 1,080,543 |
| Reserves | | | | |
| Income and expenditure reserve | | | 842,627 | 787,154 |
| Revaluation reserve | | | 253,355 | 293,389 |
| Government funds | | | 1,095,982 | 1,080,543 |

The Accounting Officer authorised these financial statements for issue on



John Womersley

Accounting Officer

Date: 23rd June 2015

The notes on pages 61 to 112 form part of these Financial Statements.

STFC STATEMENT OF FINANCIAL POSITION

AS AT 31 MARCH 2015

| | | | 2015 | 2014 |
|--|------|--|------------------|------------------|
| | | | £'000 | £'000 |
| | Note | | | |
| Non-current assets | | | | |
| Intangible assets | 12 | | 1,692 | 2,120 |
| Property, plant and equipment | 13 | | 731,391 | 703,362 |
| Interests in joint ventures | 14 | | 492,797 | 460,354 |
| Trade and other receivables | 15 | | 4,909 | 4,747 |
| Other financial assets | 16 | | 9,771 | 9,701 |
| Total non-current assets | | | 1,240,560 | 1,180,284 |
| Current assets | | | | |
| Trade and other receivables | 15 | | 55,537 | 51,447 |
| Cash and cash equivalents | 18 | | - | 3,749 |
| Total current assets | | | 55,537 | 55,196 |
| Non-Current Assets classified as held for sale | 19 | | 678 | - |
| Total assets | | | 1,296,775 | 1,235,480 |
| Current liabilities | | | | |
| Trade and other payables | 20 | | (72,281) | (85,930) |
| Derivative financial instruments | 17 | | (1,913) | (2,262) |
| Cash and cash equivalents | 18 | | (2,272) | - |
| Total current liabilities | | | (76,466) | (88,192) |
| Non-current assets less net current liabilities | | | 1,220,309 | 1,147,288 |
| Non-current liabilities | | | | |
| Trade and other payables | 20 | | (2,044) | (3,026) |
| Provisions | 21 | | (33,882) | (35,017) |
| Total non-current liabilities | | | (35,926) | (38,043) |
| Assets less liabilities | | | 1,184,383 | 1,109,245 |
| Reserves | | | | |
| Income and expenditure reserve | | | 1,012,001 | 928,672 |
| Revaluation reserve | | | 172,382 | 180,573 |
| Government funds | | | 1,184,383 | 1,109,245 |

The Accounting Officer authorised these financial statements for issue on



John Womersley

Accounting Officer

Date: 23rd June 2015

The notes on pages 61 to 112 form part of these Financial Statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2015

| | | | 2015 | 2014 |
|--|-------------|--|------------------|------------------|
| | | | £'000 | £'000 |
| | Note | | | |
| Cash flows from operating activities | | | | |
| Net expenditure for year | | | (544,531) | (513,425) |
| Adjustments for : | | | | |
| Interest receivable | 11 | | (346) | (312) |
| Amortisation | 12 | | 649 | 475 |
| Impairment of intangibles | 12 | | (1) | 1 |
| Depreciation | 13 | | 59,479 | 59,237 |
| Loss on disposal of plant, property and equipment | | | 249 | 121 |
| Loss on disposal of assets held for sale | | | - | 33 |
| Impairment of property, plant and equipment | 13 | | 13 | 1,572 |
| Revaluation of asset held for sale | 19 | | (678) | - |
| Share of joint venture losses | 14 | | 27,856 | 26,376 |
| (Increase) / decrease in trade and other receivables | 15 | | (3,906) | 177 |
| Increase / (decrease) in trade and other payables | 20 | | (14,631) | 12,476 |
| Other movements in reserves | | | - | (32) |
| Decrease in provisions | 21 | | (1,358) | (536) |
| Unwinding of discount on provisions | 21 | | 223 | 218 |
| Net cash outflow from operating activities | | | (476,982) | (413,619) |
| Cash flows from investing activities | | | | |
| Purchase of property, plant and equipment | 13 | | (75,465) | (64,169) |
| Purchase of intangibles | 12 | | - | (93) |
| Proceeds of disposal of property, plant and equipment | | | 20 | 91 |
| Proceeds of disposal of assets held for sale | | | - | 240 |
| Investment additions | 14 | | (32,443) | (32,911) |
| Other financial asset additions | 16 | | (70) | - |
| Net cash outflow from investing activities | | | (107,958) | (96,842) |
| Cash flows from financing activities | | | | |
| Grant in aid | | | 578,919 | 513,143 |
| Net cash inflow from financing activities | | | 578,919 | 513,143 |
| Net increase/(decrease) in cash and cash equivalents in the period | 18 | | (6,021) | 2,682 |
| Cash and cash equivalents at the beginning of the period | 18 | | 3,749 | 1,067 |
| Cash and cash equivalents at the end of the period | 18 | | (2,272) | 3,749 |

Notes:

- a. 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 61 to 112 form part of these Financial Statements.

STFC STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 MARCH 2015

| | | | 2015 | 2014 |
|--|-----------|--|------------------|------------------|
| | | | £'000 | £'000 |
| | Note | | | |
| Cash flows from operating activities | | | | |
| Net expenditure for year | | | (516,675) | (487,049) |
| Adjustments for : | | | | |
| Interest received | 11 | | (346) | (312) |
| Amortisation | 12 | | 649 | 475 |
| Impairment of intangibles | 12 | | (1) | 1 |
| Depreciation | 13 | | 59,479 | 59,237 |
| Loss on disposal of plant, property and equipment | | | 249 | 121 |
| Loss on disposal of assets held for sale | | | - | 33 |
| Impairment of property, plant and equipment | 13 | | 13 | 1,572 |
| Revaluation of asset held for sale | 19 | | (678) | - |
| (Increase) / decrease in trade and other receivables | | | (3,906) | 177 |
| Increase / (decrease) in trade and other payables | 20 | | (14,631) | 12,476 |
| Other movements in reserves | | | - | (32) |
| Decrease in provisions | 21 | | (1,358) | (536) |
| Unwinding of discount on provisions | 21 | | 223 | 218 |
| Net cash outflow from operating activities | | | (476,982) | (413,619) |
| Cash flows from investing activities | | | | |
| Purchase of property, plant and equipment | 13 | | (75,465) | (64,169) |
| Purchase of intangibles | 12 | | - | (93) |
| Proceeds of disposal of property, plant and equipment | | | 20 | 91 |
| Proceeds of disposal of assets held for sale | | | - | 240 |
| Investment additions | 14 | | (32,443) | (32,911) |
| Other financial asset additions | 16 | | (70) | - |
| Net cash outflow from investing activities | | | (107,958) | (96,842) |
| Cash flows from financing activities | | | | |
| Grant in aid | | | 578,919 | 513,143 |
| Net cash inflow from financing activities | | | 578,919 | 513,143 |
| Net increase/(decrease) in cash and cash equivalents in the period | 18 | | (6,021) | 2,682 |
| Cash and cash equivalents at the beginning of the period | 18 | | 3,749 | 1,067 |
| Cash and cash equivalents at the end of the period | 18 | | (2,272) | 3,749 |

- a. 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 61 to 112 form part of these Financial Statements.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

FOR THE YEAR ENDED 31 MARCH 2015

| | | STFC | Consolidated |
|--|-------------|------------------|------------------|
| | | £'000 | £'000 |
| Income and expenditure reserve | Note | | |
| Balance at 31 March 2013 | | 885,894 | 770,752 |
| Changes in reserves 2013-14 | | | |
| Transfer from revaluation reserve | | 21,401 | 21,401 |
| Other movements | | (32) | (32) |
| Cash flow hedge | 17 | (4,685) | (4,685) |
| Reversal of notional charge for UK SBS | 1.32 | 5,216 | 5,216 |
| Net expenditure for the year | | (492,265) | (518,641) |
| Total recognised income and expense for 2013-14 | | (470,365) | (496,741) |
| Grant in aid financing | | 513,143 | 513,143 |
| Balance at 31 March 2014 | | 928,672 | 787,154 |
| Changes in reserves 2014-15 | | | |
| Transfer from revaluation reserve | | 20,736 | 20,736 |
| Cash flow hedge | 17 | 349 | 349 |
| Reversal of notional charge for UK SBS | 1.32 | 5,216 | 5,216 |
| Net expenditure for the year | | (521,891) | (549,747) |
| Total recognised income and expense for 2014-15 | | (495,590) | (523,446) |
| Grant in aid financing | | 578,919 | 578,919 |
| Balance at 31 March 2015 | | 1,012,001 | 842,627 |
| Revaluation reserve | | | |
| Balance at 31 March 2013 | | 167,023 | 226,174 |
| Changes in reserves 2013-14 | | | |
| Net gain on revaluation of property, plant and equipment | 13 | 34,908 | 34,908 |
| Net gain on revaluation of intangibles | 12 | 43 | 43 |
| Net gain on revaluation of investments | 14 | - | 53,665 |
| Transfer to income and expenditure reserve | | (21,401) | (21,401) |
| Movements in reserves for 2013-14 | | 13,550 | 67,215 |
| Balance at 31 March 2014 | | 180,573 | 293,389 |
| Changes in reserves 2014-15 | | | |
| Net gain on revaluation of property, plant and equipment | 13 | 12,493 | 12,493 |
| Net gain on revaluation of intangibles | 12 | 52 | 52 |
| Net loss on revaluation of investments | 14 | - | (31,843) |
| Transfer to income and expenditure reserve | | (20,736) | (20,736) |
| Movements in reserves for 2014-15 | | (8,191) | (40,034) |
| Balance at 31 March 2015 | | 172,382 | 253,355 |
| Total Government Funds at 31 March 2014 | | 1,109,245 | 1,080,543 |
| Total Government Funds at 31 March 2015 | | 1,184,383 | 1,095,982 |

The notes on pages 61 to 112 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 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 2006 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 are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The Financial Statements are presented in pounds sterling and all values are rounded to the nearest thousand pounds (£'000), except where indicated otherwise.

Changes to Accounting Policies and Estimates effective in 2014-15

There were no relevant changes effective in 2014-15.

Effective for Future Financial years

The IASB and IFRIC issued certain standards and interpretations with an effective date after the date of these financial statements. Where these changes are relevant to STFC's circumstances they are listed below and will be adopted at the effective date or as required by the FRoM.

IFRS 13 Fair value Measurement (adopted by the FRoM for 2015-16) – IFRS 13 provides a single source of guidance for fair value measurement.

1.2 Accounting convention

These accounts have been prepared under the historical cost convention modified to include the fair valuation of property, plant and equipment, intangible assets, investment properties, unlisted investments and financial instruments to the extent required or permitted under IFRS as set out in the relevant accounting policies.

1.3 Basis of consolidation

STFC's wholly owned subsidiary undertaking, STFC Innovations Limited (SIL), is consolidated in accordance with IFRS 10, *Consolidated Financial Statements*, to form the STFC Group. There is no material difference between STFC and the STFC Group. On this basis, STFC's Financial Statements as reported are the consolidation of the STFC parent and SIL. SIL results are shown in Note 14a. The STFC parent holds the investment in joint ventures at cost, less any provision for impairment.

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.

1.4 Accounting estimates and judgements

The preparation of Financial Statements requires management to make judgements, 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 every five years and are revised in the intervening years by use of appropriate indices. To reduce the risk of material misstatement, the indices used are those recommended by professional valuers. The last professional valuations were 2012-13 for all plant and equipment assets and the land and buildings at RAL; and 2013-14 for the remainder of the land and building assets.
- Calculation of the decommissioning costs for DL and RAL. The calculations are based on estimates of the current cost of the work to be undertaken, assumptions regarding inflation rates and VAT changes and the timing of the decommissioning. To reduce the risk of material misstatement the estimates and assumptions are reviewed annually. A professional valuation of the decommissioning costs was undertaken for RAL in 2012-13.
- Calculation of the decommissioning costs for ING and Joint Astronomy Centre (JAC). There is no longer a significant risk relating to the Issac Newton Group of telescopes (ING) and JAC decommissioning cost estimates. This risk has been mitigated by the transfer of the decommissioning liabilities to new operators which have been agreed (see Note 27 Discontinued operations).
- Calculation of the decommissioning provision for the ILL. STFC's share (33%) of this provision is taken from the ILL Financial Statements. The provision for decommissioning was revalued in 2007 using the software implemented by the Commissariat à l'énergie atomique (CEA) and updated as at 17 March 2013 on the basis of the best estimates provided by ILL management.

1.5 Investments

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

Unlisted investments are stated at amounts considered 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 the income and expenditure account. Fixed asset investments are not held for immediate resale. The difference between the market value of fixed asset investments over the cost to the Council is shown as an unrealised gain or loss in the revaluation reserve.

1.6 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 IFRS 10 *Consolidated Financial Statements*, IFRS 11 *Joint Arrangements* and IAS 28, *Investments in Associates and Joint Ventures*.

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 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, 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 recognises investment in DLS in the period that the funding is budgeted.

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

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

STFC holds a 50% interest in the joint venture partnership Harwell Science and Innovation Campus Public Sector Limited Partnership (HSIC PubSP). Under the terms of the joint venture agreement control is shared jointly with the UK Atomic Energy Authority (UKAEA). The results of HSIC PubSP are therefore accounted for as a joint venture consolidated with those of STFC.

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

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

1.7 Property, plant and equipment (PPE)

Property, plant and equipment is accounted for in accordance with the FReM and IAS 16, *Property, plant and equipment*.

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

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

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

1.8 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 |

Many STFC assets are highly specialised and therefore have Useful Estimated Lives (UELs) differing from the norm for their asset category.

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.

1.9 Component accounting

Property, plant and equipment may have component parts with different useful lives. In accordance with the provisions of IAS 16 *Property, plant and equipment*, each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

1.10 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.

1.11 Intangible assets

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

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

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

| | |
|--------------------------------|--------------|
| Software and software licences | 5 - 10 years |
|--------------------------------|--------------|

1.12 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).

Any reversal of an impairment charge is recognised in the SCNE to the extent that the original charge, adjusted for subsequent depreciation, was previously recognised, with any remaining amount recognised in the revaluation reserve.

1.13 Cash and cash equivalents

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

1.14 Financial instruments

The Council recognises and measures financial instruments in accordance with IAS 39 *Financial instruments: recognition and measurement* as interpreted by the FReM.

The fair value of financial instruments is determined by reference to quoted market prices where an active market exists for the trade of these instruments. The fair value of financial

instruments which are not traded in an active market is determined using generally accepted valuation techniques, including estimated discounted cash flows.

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

1.15 Derivative financial instruments

STFC applies IAS 39 *Financial instruments: recognition and measurement*, 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.

1.16 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.

1.17 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.

1.18 Government grants receivable and other income

Grant in Aid provided by BIS for revenue and general capital purposes is credited to the income and expenditure reserve.

In line with the terms of the agreement, contributions; co-funding and grants from other bodies (including other Government bodies) are recognised as income over the period in which STFC recognises the related costs for which the grant is intended to compensate.

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.

Deferred income relates to payments received in advance of the accounting period to which they relate or where grant conditions have not yet been met. The deferred income is released to the SCNE as and when these conditions are met.

1.19 Research and development

As a research organisation the majority of the Council's expenditure on research and development does not meet the capitalisation criteria of IAS 38, *Intangible assets* 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.

1.20 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.

1.21 Research grants payable

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 Note 23.

The majority of studentship grants 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.

1.22 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.

1.23 Early departure costs

The Council is required to meet the additional cost of benefits beyond the normal PCSPS benefits in respect of employees who retire early. In accordance with IAS 19, *Employee benefits*, the Council provides in full for this cost when an early retirement programme has been announced and is binding. Early departure costs are discounted using HM Treasury's current pension rate, currently 1.3% real.

1.24 Employee benefits

In accordance with IAS 19, *Employee benefits*, a body is required to recognise short term employee benefits when an employee has rendered service in exchange for those benefits. Included in the accounts is an accrual for the outstanding employee paid holiday entitlement at the period end date.

1.25 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, *Provisions, contingent liabilities and contingent assets*.

1.26 Taxation and VAT

The Council is exempt from income and corporation tax by way of its Crown exemption.

VAT is accounted for in the accounts, in that amounts are shown net of VAT except:

- a) Irrecoverable VAT is charged to the Consolidated Statement of Comprehensive Net Expenditure, and included under the relevant expenditure heading
- b) Irrecoverable VAT on the purchase of an asset is included in additions.

The net amount due to, or from, HM Revenue and Customs in respect of VAT is included within other receivables and payables within the Consolidated Statement of Financial Position

The Council is registered for VAT jointly with six other Research Councils and Innovate UK as part of a Cost Sharing Group (CSG). Non-attributable VAT recovered through the Group arrangement is credited to the SCNE.

1.27 Foreign currency

The Council applies IAS 21, *The effects of changes in foreign exchange rates* and 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*.

1.28 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.

1.29 Operating leases

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

1.30 Administration and programme expenditure and income

The SCNE in Note 3 is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or programme follows the definition of administration costs as set out in the *HM Treasury Consolidated Budgeting Guidance 2014-15*.

1.31 Operating segments

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

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

1.32 Notional charge for UK SBS Ltd Services

Ownership of SBS transferred from the Research Councils to BIS on 6 March 2013. From 1 April 2013, the cost of SBS's services to STFC ceased to be a monthly charge and instead was deducted from STFC's allocation. In order to accurately reflect the cost of using SBS's services in the annual accounts, the charge has been shown as a notional cost on the Statement of Comprehensive Expenditure and it has then been written back to the Income and Expenditure Reserve.

2. SEGMENTAL CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE

Disclosure to net operating expenditure.

FOR THE YEAR TO 31 MARCH 2015

| | Programmes | National Laboratories | Business & Innovation | Corporate Services | Finance | SPC | Total |
|--|----------------|-----------------------|-----------------------|--------------------|---------------|--------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Continuing Operations | | | | | | | |
| Expenditure | | | | | | | |
| Staff costs | 5,400 | 64,682 | 3,029 | 10,799 | 2,855 | 3,268 | 90,033 |
| Restructuring | - | - | - | (249) | 141 | - | (108) |
| Research grants | 77,457 | - | 15,699 | - | - | - | 93,156 |
| Other grants & awards | 59,944 | - | - | - | - | - | 59,944 |
| International subscriptions | 147,761 | - | - | - | - | - | 147,761 |
| Equipment and supplies | 623 | 31,969 | 2,098 | 183 | (286) | 189 | 34,776 |
| Services | 1,870 | 10,620 | 1,358 | 9,607 | 134 | 1,351 | 24,940 |
| Depreciation | - | - | - | - | 56,549 | - | 56,549 |
| Amortisation | - | - | - | - | 649 | - | 649 |
| PPE impairments | - | - | - | - | 13 | - | 13 |
| Intangible impairments | - | - | - | - | (1) | - | (1) |
| Joint venture funding | 45,811 | - | - | - | - | - | 45,811 |
| Notional charge for UK SBS Ltd Services | - | - | - | - | 5,216 | - | 5,216 |
| Other expenditure | 590 | 17,049 | 1,521 | 12,793 | (254) | 337 | 32,036 |
| Total expenditure | 339,456 | 124,320 | 23,705 | 33,133 | 65,016 | 5,145 | 590,775 |
| | | | | | | | |
| Income | | | | | | | |
| Total income | (2,641) | (59,057) | (1,666) | (8,901) | (158) | (332) | (72,755) |
| | | | | | | | |
| Net Operating expenditure from continuing operations | 336,815 | 65,263 | 22,039 | 24,232 | 64,858 | 4,813 | 518,020 |
| Net expenditure from discontinued operations | 1,741 | - | - | - | 2,004 | - | 3,745 |
| Total net operating expenditure | 338,556 | 65,263 | 22,039 | 24,232 | 66,862 | 4,813 | 521,765 |

FOR THE YEAR TO 31 MARCH 2014

| | Programmes | National Laboratories | Business & Innovation | Corporate Services | Finance | SPC | Total |
|--|----------------|-----------------------|-----------------------|--------------------|---------------|--------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Continuing operations | | | | | | | |
| Expenditure | | | | | | | |
| Staff costs | 5,818 | 63,272 | 3,587 | 10,511 | 3,202 | 2,787 | 89,177 |
| Restructuring | - | - | - | 210 | - | - | 210 |
| Research grants | 82,266 | - | - | - | - | - | 82,266 |
| Other grants & awards | 41,920 | - | - | 800 | - | - | 42,720 |
| International subscriptions | 146,666 | - | - | - | - | - | 146,666 |
| Equipment and supplies | 904 | 29,477 | 1,089 | (389) | (270) | 254 | 31,065 |
| Services | 1,866 | 10,775 | 1,176 | 9,201 | 705 | 1,012 | 24,735 |
| Depreciation | - | - | - | - | 53,117 | - | 53,117 |
| Amortisation | - | - | - | - | 475 | - | 475 |
| PPE impairments | - | - | - | - | 1,572 | - | 1,572 |
| Intangible impairments | - | - | - | - | (1) | - | (1) |
| Joint venture funding | 40,433 | - | - | - | - | - | 40,433 |
| Notional Charge for UK SBS Ltd Services | - | - | - | - | 5,216 | - | 5,216 |
| Other expenditure | 1,336 | 16,946 | 1,494 | 11,411 | 541 | 265 | 31,993 |
| Total expenditure | 321,209 | 120,470 | 7,346 | 31,744 | 64,557 | 4,318 | 549,644 |
| | | | | | | | |
| Income | | | | | | | |
| Total income | (2,745) | (53,910) | (1,931) | (7,458) | (79) | (73) | (66,196) |
| | | | | | | | |
| Net Operating expenditure from continuing operations | 318,464 | 66,560 | 5,415 | 24,286 | 64,478 | 4,245 | 483,448 |
| Net expenditure from discontinued operations | 4,110 | | | (990) | 5,637 | | 8,757 |
| Total net operating expenditure | 322,574 | 66,560 | 5,415 | 23,296 | 70,115 | 4,245 | 492,205 |

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

SUMMARY OF THE SEGMENTS:

PROGRAMMES

This segment covers STFC's science and technology strategy, science operations and planning (including STFC's processes for peer review), world-class research training programme, management of UK membership of and access to international facilities of CERN, ESO, ILL and ESRF, as well as STFC's programmes in education, training and public engagement. It also covers the ING on La Palma, Canary Islands. The amount disclosed as discontinued operations relates to the JAC, Hawaii.

NATIONAL LABORATORIES

This segment covers the management and operation of STFC's world class national laboratories located at RAL, DL, the Chilbolton Observatory and UK ATC, plus the provision of access to world-class experimental facilities and technologies. The laboratories are home to the science, facility and technology departments of accelerator science and technology, particle physics and space, scientific computing, technology, ISIS and Central Laser Facility.

BUSINESS AND INNOVATION

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

CORPORATE SERVICES

This segment covers STFC's support and operational functions covering corporate ICT infrastructure and support at RAL and DL, estates management, health, safety and environment, human resources and security. It also covers the legal and commercial services for the whole organisation. The amount shown as discontinued operations relates to movement in the restructuring provision for the JAC which was allocated to the corporate services budget.

FINANCE

This segment covers STFC's overall budgeting and associated financial planning, financial management, financial support and financial accounting processes within the Council. It also covers key governance activities across the Council, including risk management. The amount shown as discontinued operations relates to depreciation on JAC assets and movement in the JAC decommissioning accrual, which was allocated to the finance budget.

STRATEGY, PERFORMANCE AND COMMUNICATIONS (SPC)

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

3. ANALYSIS OF CONSOLIDATED NET EXPENDITURE BETWEEN ADMINISTRATION AND PROGRAMME

**The net expenditure for administration does not reconcile to the outturn (page 12) due to the inclusion of the notional charge for UK SBS Ltd services above.*

FOR THE YEAR TO 31 MARCH 2015

| | Administration | Programme | Consolidated |
|--|----------------|-----------------|-----------------|
| | £'000 | £'000 | £'000 |
| Continuing operations | | | |
| Expenditure | | | |
| Staff costs | 7,876 | 82,157 | 90,033 |
| Restructuring | 141 | (249) | (108) |
| Research grants | - | 93,156 | 93,156 |
| Other grants and awards | - | 59,944 | 59,944 |
| International subscriptions | - | 147,761 | 147,761 |
| Equipment and supplies | 117 | 34,659 | 34,776 |
| Services | 1,256 | 23,684 | 24,940 |
| Intangible amortisation | - | 649 | 649 |
| Intangible impairments | - | (1) | (1) |
| Depreciation | - | 56,549 | 56,549 |
| PPE impairments | - | 13 | 13 |
| Joint venture funding | - | 45,811 | 45,811 |
| Notional Charge for UK SBS Ltd Services | 5,216 | - | 5,216 |
| Other expenditure | 1,176 | 30,860 | 32,036 |
| Total expenditure from continuing operations | 15,782 | 574,993 | 590,775 |
| Income | | | |
| Income from operating activities | (314) | (72,441) | (72,755) |
| Total income | (314) | (72,441) | (72,755) |
| Net operating expenditure | 15,468 | 502,552 | 518,020 |
| Interest | - | (346) | (346) |
| Unwinding of discount on provisions | - | 223 | 223 |
| Share of post-tax losses of joint ventures | 1,922 | 25,934 | 27,856 |
| Loss on disposal of tangible assets | - | 249 | 249 |
| Net expenditure for the year from continuing operations | 17,390 | 528,612 | 546,002 |
| Net expenditure for the year from discontinued operations | 161 | 3,584 | 3,745 |
| Total net expenditure for the year | 17,551 | 532,196 | 549,747 |

FOR THE YEAR TO 31 MARCH 2014

| | Administration | Programme | Consolidated |
|--|----------------|-----------------|-----------------|
| | £'000 | £'000 | £'000 |
| Continuing operations | | | |
| Expenditure | | | |
| Staff costs | 7,850 | 81,327 | 89,177 |
| Restructuring | - | 210 | 210 |
| Research grants | - | 82,266 | 82,266 |
| Other grants and awards | - | 42,720 | 42,720 |
| International subscriptions | - | 146,666 | 146,666 |
| Equipment and supplies | 200 | 30,865 | 31,065 |
| Services | 2,150 | 22,585 | 24,735 |
| Intangible amortisation | - | 475 | 475 |
| Intangible Impairments | - | (1) | (1) |
| Depreciation | - | 53,117 | 53,117 |
| PPE impairments | - | 1,572 | 1,572 |
| Joint venture funding | - | 40,433 | 40,433 |
| Notional Charge for UK SBS Ltd Services | 5,216 | - | 5,216 |
| Other expenditure | 801 | 31,192 | 31,993 |
| Total expenditure | 16,217 | 533,427 | 549,644 |
| Income | | | |
| Income from operating activities | (267) | (65,929) | (66,196) |
| Total income | (267) | (65,929) | (66,196) |
| | | | |
| Net operating expenditure | 15,950 | 467,498 | 483,448 |
| Interest | - | (312) | (312) |
| Unwinding of discount on provisions | - | 218 | 218 |
| Share of post-tax losses of joint ventures | 2,272 | 24,104 | 26,376 |
| Loss on disposal of tangible assets | - | 121 | 121 |
| Loss on disposal of assets held for sale | 33 | - | 33 |
| Net expenditure for the year from continuing operations | 18,255 | 491,629 | 509,884 |
| Net expenditure for the year from discontinued operations | 246 | 8,511 | 8,757 |
| Total net expenditure for the year | 18,501 | 500,140 | 518,641 |

4. STAFF NUMBERS AND RELATED COSTS

(See also the Remuneration Report on pages 36 to 41)

| | STFC | Consolidated | Consolidated |
|---|---------------|---------------|---------------|
| | 2015 | 2015 | 2014 |
| | £'000 | £'000 | £'000 |
| Staff costs | | | |
| Continuing operations | | | |
| Salaries and wages | 71,442 | 71,442 | 68,145 |
| Social security costs | 5,968 | 5,968 | 5,832 |
| Superannuation | 16,235 | 16,235 | 15,615 |
| Seconded staff | 949 | 949 | 664 |
| Council and committee members | 99 | 99 | 81 |
| Total payroll costs | 94,693 | 94,693 | 90,337 |
| Capitalised pay costs | (4,660) | (4,660) | (1,160) |
| Staff costs from continuing operations | 90,033 | 90,033 | 89,177 |
| Staff costs from discontinued operations | 284 | 284 | 323 |
| Total Staff costs | 90,317 | 90,317 | 89,500 |

- Included in salaries and wages is an amount of £2.044m (2013-14 £1.171m) in respect of agency staff;
- Included in salaries and wages is an amount of £1.878m (2013-14 £1.922m) in respect of locally engaged staff overseas;
- Seconded staff relate to personnel seconded into STFC and engaged on objectives of the entity, plus staff seconded out of STFC but paid for by STFC; any recovery of cost being credited separately to income; and
- The capitalised pay costs are accounted for in the group Statement of Financial Position as additions to assets under construction (Note 13). Staff costs are capitalised based upon consideration of effort – the figure of £4.660m equates to 89.3 FTEs (2013-14: 24.2 FTEs).

SUPERANNUATION

Most employees of the Council are members of the Research Councils' Pension Scheme (the RCPS) including the associated Partnership Pension Account. A small number of employees retain membership of the Principal Non-Industrial Superannuation Scheme (PNISS) of the United Kingdom Atomic Energy Authority. In addition, a few eligible employees were auto-enrolled during 2014-15 in the National Employment Savings Trust (NEST), the Government's workplace pension scheme.

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

Employees may be in one of four defined benefit scheme arrangements: either a 'final salary' scheme (classic, classic plus or premium); or a career average scheme (NUVOS). Pensions payable are increased annually in line with changes in the Consumer Prices Index (CPI). The employer contribution rate is agreed by the RCPS Board of Management on the recommendation of the Government Actuary's Department (GAD) and is currently set at 26.0% of pensionable pay. The employer contribution for 2014-15 was £15.968m (2013-14: £15.364m).

Until 2012 employee contribution rates in the RCPS varied between 1.5% and 3.5% depending on the scheme. In line with changes to the PCSPS, employee contribution rates were increased over a three-year period with increases being applied on 1 April 2012, 1 April 2013 and 1 April 2014. During 2014-15, employee contribution rates ranged from 1.5% to 8.85% depending on the scheme and members full time equivalent earnings.

On 1 April 2015, RCPS employee contribution rates changed and the way the rate the employee pays also changed, both in line with changes in the PCSPS. The amount the employee contributes is now based on their actual annualised earnings. If an employee's earnings fluctuate month by month they may move up or down to a different band therefore paying a different contribution rate. The new employee contribution rates are as follows:

| Annual pensionable earnings (full-time equivalent basis) | Classic employee contribution % | Classic Plus, Premium & NUVOS employee contribution % |
|--|--|--|
| Up to £15,000 | 3.00 | 4.60 |
| £15,001 - £21,000 | 4.60 | 4.60 |
| £21,001 - £47,000 | 5.45 | 5.45 |
| £47,001 - £150,000 | 7.35 | 7.35 |
| Over £150,000 | 8.05 | 8.05 |

The PNISS is a notionally funded, contributory, defined benefit scheme which is closed to new entrants. Employees who are members of the PNISS made pension contributions at the rate of 9.38% of pensionable pay during 2014-15. The Council makes employer's

contributions at a rate determined from time to time after actuarial assessment of assets and liabilities. In 2014-15 the employer's contribution rate was 15.8% of pensionable pay. The employer contribution for 2014-15 was £0.236m (2013-14: £0.254m).

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

As an alternative to the RCPS, a Partnership Pension Account was made available to new recruits from 1 October 2002. It is based on the portable Stakeholder Pension introduced by the Government in 2001. This is a defined contribution scheme. The employers pay the RCPS 0.8% of pensionable pay to cover death in service and ill-health benefits. The employers pay an age-related contribution to the employee's private pension provider. The employer contribution for 2014-15 was £0.066m (2013-14: £0.055m).

Employer's 0.8% death in service Partnership contribution for 2014-15 was £4,026 (2013-14: £3,392).

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

Formal actuarial valuations are used to determine employer and employee contribution rates. The last actuarial evaluation undertaken for the RCPS, as at 31 March 2006, was completed in 2008-09. An actuarial valuation as at 31 March 2010 was initiated but not completed as HM Treasury suspended all public service pension scheme valuations whilst reform policies were being developed. HM Treasury have since concluded their reform policy and the RCPS is currently working through reform options with Government. The Government Actuary Department started the process of completing a revised scheme valuation, as at 31 March 2012 for the RCPS. The conclusion of the scheme valuation is directly linked to the reform outcomes for the RCPS and it is likely that the reform process will be complete by June 2015 with any resulting changes to employer contribution rates likely to be effective from April 2016 or April 2017.

Further details about the Research Councils' Pension Scheme arrangements can be found at the website www.jsspensions.org.uk.

STAFF NUMBERS

The Council counts the number of staff in post to include all permanent, fixed term and temporary staff of all types who are paid as employees through the payroll. On this basis the average number of full-time equivalent persons (including senior management) employed during the year was 1,784 (2013-14: 1,723). The current year figure includes 48 (2013-14: 38) locally-engaged staff overseas.

There is also a number of temporary staff that are charged to the payroll including students, Council and Audit Committee members and a number of inward secondments for which STFC reimburses the home organisation. The average number of full-time equivalent persons in this category for the year was 67 (2013-14: 54).

The average number of agency staff (full-time equivalents) employed during the year was 38 (2013-14: 26).

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 | |
|-------------------------------|-----------------------------------|-----------|-----------------------------|-----------------|--|-----------------|
| | 2014-15 | 2013-14 | 2014-15 | 2013-14 | 2014-15 | 2013-14 |
| <£10,000 | - | - | 2 | 4 | 2 | 4 |
| £10,000-£25,000 | - | - | 2 | 5 | 2 | 5 |
| £25,000-£50,000 | - | - | 2 | 1 | 2 | 1 |
| £50,000-£100,000 | - | - | 2 | 1 | 2 | 1 |
| Total number of exit packages | - | - | 8 | 11 | 8 | 11 |
| Total resource cost/£ | £0 | £0 | £280,613 | £206,039 | £280,613 | £206,039 |

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

5. RESTRUCTURING COSTS

| | 2015 | 2014 |
|--------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Continuing operations | (108) | 210 |
| Discontinued operations | 226 | (190) |
| | 118 | 20 |

Restructuring costs in the year were £0.118m (2013-14: £0.020m). This figure is comprised of £0.281 in year exit packages as detailed in the table in note 4, £0.153m restructuring costs for the JAC and £0.316m credit mainly relating to pension cost accruals for prior year leavers.

6. RESEARCH GRANTS

| | | STFC | Consolidated | Consolidated |
|----------------------|--|---------------|---------------------|---------------------|
| | | 2015 | 2015 | 2014 |
| | | £'000 | £'000 | £'000 |
| Astronomy | | 39,991 | 39,991 | 36,687 |
| Particle physics | | 42,310 | 42,310 | 37,392 |
| E-science | | 2,645 | 2,645 | 1,782 |
| Nuclear physics | | 5,592 | 5,592 | 4,397 |
| External Innovations | | 2,618 | 2,618 | 2,008 |
| | | 93,156 | 93,156 | 82,266 |

7. OTHER GRANTS AND AWARDS

| | | STFC | Consolidated | Consolidated |
|---|--|---------------|---------------------|---------------------|
| | | 2015 | 2015 | 2014 |
| | | £'000 | £'000 | £'000 |
| Postgraduate Training Awards, Fellowships | | 22,082 | 22,082 | 22,379 |
| Research and research support | | 22,662 | 22,662 | 20,341 |
| Capital Grants * | | 15,200 | 15,200 | - |
| | | 59,944 | 59,944 | 42,720 |

*£15.2m relating to a capital grant to the University of Oxford for the Oxford BioEscalator (£11.0m) and the Begbroke Centre for Innovation and Enterprise (£4.2m) under the Oxford City Deal. This forms part of HM Government's investment in a network of new innovation and incubation centres.

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

8. INTERNATIONAL COLLABORATION AGREEMENTS

| | STFC | Consolidated | Consolidated |
|---|----------------|----------------|----------------|
| | 2015 | 2015 | 2014 |
| | £'000 | £'000 | £'000 |
| European Organisation for Nuclear Research (CERN) | 105,739 | 105,739 | 105,591 |
| European Southern Observatory (ESO) | 18,807 | 18,807 | 18,084 |
| Institut Laue-Langevin (ILL) | 15,350 | 15,350 | 15,374 |
| European Synchrotron Radiation Facility (ESRF) | 7,839 | 7,839 | 7,557 |
| European Science Foundation (ESF) | 26 | 26 | 60 |
| | 147,761 | 147,761 | 146,666 |

- a. STFC has a 14% share in ESRF but following its signing of the ESRF Protocol in Jun 14, pays a contribution of 10.5% with a corresponding level of facility access. Once the new Protocol has been ratified by all Member countries, 3.5% of the UK shareholding will be legally transferred to Russia.
- b. The Council's research objectives are shared with other major scientific nations and as such the Council collaborates with other nations in order to mitigate the high capital costs of facilities. Various agreements are in place to regulate annual contributions and the management of the various facilities. These include a period of notice of withdrawal from each arrangement. Of the most significant arrangements, CERN requires notice of 12 months after the end of the current calendar year. ESO requires a notice period of 12 months.
- c. 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 2019. Notice can be given up to 31 December 2016 for withdrawal after 31 December 2019. For ILL, the 5th protocol of the Intergovernmental Convention was signed on 1 July 2013 and will remain in force until 31 December 2023. 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. 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.
- d. In the above arrangements, the facilities are not owned by the Council. Additionally, the Council collaborates with Dutch and Spanish partners in respect of the operation of telescopes on La Palma, Canary Islands. Contributions are received from the International partners towards the cost of running the facilities. The La Palma telescopes are owned by the Council. STFC is working to secure transfer of ownership to Spain for these facilities, but will continue to act as managing agent.

9. OTHER EXPENDITURE

| | STFC | Consolidated | Consolidated |
|---|---------------|---------------|---------------|
| | 2015 | 2015 | 2014 |
| | £'000 | £'000 | £'000 |
| Continuing operations | | | |
| Travel, subsistence and allowances | 6,917 | 6,917 | 6,621 |
| Utilities | 11,829 | 11,829 | 11,752 |
| Rent, rates and maintenance | 12,312 | 12,312 | 12,559 |
| Administration expenses | 1,564 | 1,564 | 751 |
| Auditors remuneration* | 152 | 152 | 154 |
| (Decrease)/increase in bad debt provision | 34 | 34 | (199) |
| Insurance premiums | 225 | 225 | 208 |
| Exchange rate (gains)/ losses | 433 | 433 | (372) |
| Decommissioning costs** | (1,430) | (1,430) | 519 |
| Total from continuing operations | 32,036 | 32,036 | 31,993 |
| Total from discontinued operations *** | (312) | (312) | 440 |
| Total | 31,724 | 31,724 | 32,433 |

* Comprised of £135k for the STFC 2014-15 audit, £12k for the SIL 2013-14 audit and £5k for other audit work.

**The decommissioning costs credit of £1,430k relate to a decrease of £1,358k in provisions (see Note 21) plus a reduction in accrual of £72k.

***Discontinued operations include a £926k reduction in accrual for the JAC decommissioning costs.

10. INCOME FROM OPERATING ACTIVITIES

| | STFC | Consolidated | Consolidated |
|--|---------------|---------------|---------------|
| | 2015 | 2015 | 2014 |
| | £'000 | £'000 | £'000 |
| UK Research Councils | 14,694 | 14,694 | 17,587 |
| Government organisations | | | |
| Department for Business, Innovation and Skills | 163 | 163 | 20 |
| Other | 5,840 | 5,840 | 5,417 |
| | 6,003 | 6,003 | 5,437 |
| External bodies | | | |
| Higher education institutes | 4,937 | 4,937 | 4,622 |
| European Commission | 4,900 | 4,900 | 4,628 |
| Other overseas | 23,504 | 23,504 | 19,011 |
| Private sector | 15,071 | 15,071 | 11,657 |
| Domestic | 3,646 | 3,646 | 3,254 |
| | 52,058 | 52,058 | 43,172 |
| Total income from continuing operations | 72,755 | 72,755 | 66,196 |
| Income from discontinued operations | 1,391 | 1,391 | 1,117 |
| Total operating income | 74,146 | 74,146 | 67,313 |

- a. Operating income includes amounts received from the European Commission and other bodies for asset construction/repayment work and access to facilities. Facilities are offered to European Union users, commercial users and external users. Users are charged a unit cost based on direct operating costs and annual quantity of access with an allowance for overheads.
- b. STFC acts as a co-ordinator on European Union framework agreements. Funding that is received for redistribution to other partners is not recognised as income; £0.458m (2013-14: £0.944m) but treated as a liability on the Statement of Financial Position.
- c. The Council has complied with the charging requirements set out in HM Treasury and Office of Public Sector Information guidance, where they are appropriate. However, the information they hold is exempt from the requirements of *The Re-use of Public Sector Information Regulations 2005* as specified in paragraph 5 (3) of the regulations.

| | UK | Foreign | Consolidated | UK | Foreign | Consolidated |
|------------------------------------|------------------|----------------|---------------------|------------------|----------------|---------------------|
| | 2015 | 2015 | 2015 | 2014 | 2014 | 2014 |
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Income by purpose | | | | | | |
| Facilities access and development | 33,192 | 25,859 | 59,051 | 31,749 | 22,164 | 53,913 |
| Science programme and project work | 519 | 3,513 | 4,032 | 1,717 | 2,145 | 3,862 |
| Other services | 10,640 | 423 | 11,063 | 9,327 | 211 | 9,538 |
| Total operating income | 44,351 | 29,795 | 74,146 | 42,793 | 24,520 | 67,313 |
| | | | | | | |
| Non-current assets | 1,120,851 | 31,308 | 1,152,159 | 1,118,134 | 33,450 | 1,151,584 |

The Council receives substantial funding from the Science Budget through its sponsor department BIS (see Statement of Changes in Taxpayers' Equity for details). In addition, science budget funding accounts for a further £14.7m (2013-14: £17.6m) of the £72.8m income from continuing operating activities, being income from the other UK Research Councils.

There are no major customers accounting for 10% or more of the remaining £58.1m. Revenue is allocated based on the country in which the customer is located.

11. INTEREST RECEIVABLE

| | | STFC | Consolidated | Consolidated |
|---------------------|--|--------------|---------------------|---------------------|
| | | 2015 | 2015 | 2014 |
| | | £'000 | £'000 | £'000 |
| Interest receivable | | 346 | 346 | 312 |

Interest receivable relates to the interest on long-term loans (see Note 16).

12. INTANGIBLE ASSETS

| | | Software | Software licences | STFC and consolidated total* |
|--------------------------|--|--------------|-------------------|------------------------------|
| | | £'000 | £'000 | £'000 |
| Cost or valuation | | | | |
| At 31 March 2013 | | 2,044 | 458 | 2,502 |
| Additions | | 93 | - | 93 |
| Reclassification | | 1,645 | 330 | 1,975 |
| Impairments | | (1) | - | (1) |
| Revaluation | | 82 | - | 82 |
| At 31 March 2014 | | 3,863 | 788 | 4,651 |
| Reclassifications | | 71 | 97 | 168 |
| Disposals | | (135) | (39) | (174) |
| Impairments | | 1 | - | 1 |
| Revaluation | | 84 | 19 | 103 |
| At 31 March 2015 | | 3,884 | 865 | 4,749 |
| | | | | |
| | | | | |
| Amortisation | | | | |
| At 31 March 2013 | | 1,688 | 314 | 2,002 |
| Charged in year | | 408 | 67 | 475 |
| Reclassification | | 15 | - | 15 |
| Revaluation | | 39 | - | 39 |
| At 31 March 2014 | | 2,150 | 381 | 2,531 |
| Charged in year | | 484 | 165 | 649 |
| Reclassification | | (12) | 12 | - |
| Disposals | | (135) | (39) | (174) |
| Revaluation | | 39 | 12 | 51 |
| At 31 March 2015 | | 2,526 | 531 | 3,057 |
| | | | | |
| Net book value | | | | |
| At 31 March 2014 | | 1,713 | 407 | 2,120 |
| At 31 March 2015 | | 1,358 | 334 | 1,692 |

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

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

13. PROPERTY, PLANT AND EQUIPMENT

| | Freehold land | Freehold buildings | Buildings on leased land | Plant and equipment | Assets under construction | STFC and Consolidated total |
|--------------------------|---------------|--------------------|--------------------------|---------------------|---------------------------|-----------------------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Cost or valuation | | | | | | |
| At 31 March 2013 | 36,517 | 405,623 | 81,828 | 854,073 | 70,859 | 1,448,900 |
| Additions | - | 38 | - | 8,353 | 55,778 | 64,169 |
| Reclassification | - | 10,040 | - | 26,504 | (38,519) | (1,975) |
| Disposals | - | (665) | - | (10,207) | - | (10,872) |
| Impairments | - | (3) | - | (1,569) | - | (1,572) |
| Revaluations | (2,786) | 5,465 | - | 66,792 | - | 69,471 |
| 31 March 2014 | 33,731 | 420,498 | 81,828 | 943,946 | 88,118 | 1,568,121 |
| Additions | - | (114) | - | 7,729 | 67,850 | 75,465 |
| Reclassification | - | 5,926 | - | 23,885 | (29,979) | (168) |
| Disposals | - | (413) | (28,060) | (76,120) | - | (104,593) |
| Impairments | - | - | - | (13) | - | (13) |
| Revaluations | - | - | - | 29,817 | - | 29,817 |
| 31 March 2015 | 33,731 | 425,897 | 53,768 | 929,244 | 125,989 | 1,568,629 |
| Depreciation | | | | | | |
| At 31 March 2013 | - | 179,258 | 81,791 | 520,585 | - | 781,634 |
| Charged in year | - | 12,431 | - | 46,806 | - | 59,237 |
| Disposals | - | (500) | - | (10,160) | - | (10,660) |
| Reclassification | - | (37) | 37 | (15) | - | (15) |
| Revaluations | - | (6,244) | - | 40,807 | - | 34,563 |
| 31 March 2014 | - | 184,908 | 81,828 | 598,023 | - | 864,759 |
| Charged in year | - | 11,771 | - | 47,708 | - | 59,479 |
| Disposals | - | (165) | (28,060) | (76,099) | - | (104,324) |
| Revaluations | - | - | - | 17,324 | - | 17,324 |
| 31 March 2015 | - | 196,514 | 53,768 | 586,956 | - | 837,238 |
| Net book value | | | | | | |
| At 31 March 2014 | 33,731 | 235,590 | - | 345,923 | 88,118 | 703,362 |
| At 31 March 2015 | 33,731 | 229,383 | - | 342,288 | 125,989 | 731,391 |

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

- a. Reclassifications relate to reclassifications between property, plant and equipment categories. When capitalised, assets under construction (AUC) are reclassified from AUC to the appropriate category of property, plant and equipment or intangible assets.
- b. Included within the AUC in year additions is £25m on the construction of the new space science building. A further £20m on ISIS, including £4m on ISIS Target Station II relating to the construction of four neutron instruments, CHIPIR, LARMOR, ZOOM and IMAT, and the necessary changes required to the Target Station to accommodate these new instruments. This project adds four instruments to the existing seven instruments located

in Target Station II. At RAL, Daresbury, Chilbolton and UK ATC, £15m of infrastructure costs are included covering building and roof upgrades, construction of the new Campus Technology Hub at DL (£3m) and the new Higgs Building at UK ATC (£2m) and other infrastructure. Other major items include Jasmin project (£2m), and the MICE project (£1.5m).

- c. Depreciation charged in 2014-15 includes £2.930m for JAC PPE (2013-14: £6.120m). This forms part of the discontinued operations total shown on the face of the Consolidated Statement of Comprehensive Net Expenditure. The JAC PPE was transferred to the new operators of the JAC during 2014-15 and is included in the 2014-15 PPE disposals totals.
- d. In accordance with IAS 37, *Provisions, contingent liabilities and contingent assets*, decommissioning costs are recognised in full as soon as the obligation exists, i.e. when the technical facility has been commissioned. When the obligation incurred gives rise to future economic benefits a corresponding asset in respect of the provision is set up in the Statement of Financial Position and depreciated over the useful life of the asset. The plant and machinery NBV as at 31 March 2015 includes £10.2m (2013-14: £10.3m) for the plant and machinery decommissioning assets.
- e. Tenancy agreements are in place with a number of tenants in STFC buildings at Daresbury and Rutherford Laboratories. See Note 24.2.
- f. Independent qualified professional valuations are obtained for all property, plant and equipment every five years and are revised in the intervening years by the use of appropriate indices.

Polaris House is owned jointly by a number of the Research Councils and is professionally valued every five years and modified in the intervening years by the use of appropriate indices. The interest in the Polaris House property was valued on an Open Market Value (OMV) for existing use basis as at 31 March 2011 by Powis Hughes and Associates.

Land and buildings at DL, Chilbolton Observatory and the UK ATC were professionally valued by GVA James Barr as at 31 January 2014 with no change confirmed at 31 March 2014. Land and buildings at RAL were professionally valued by GVA James Barr on 31 March 2013. Together these account for 99% by value of STFC's land and buildings assets. The building assets have been valued on a depreciated replacement cost (DRC) basis due to the specialist nature of the assets. The land assets have been assessed to fair value on an existing use value (EUV) which assumes an on-going use for operational purpose with the exception of farmland which is assessed at market value (MV).

Land and building assets at the other STFC sites have been revalued using specific indices provided by GVA James Barr, either on a DRC or EUV/MV basis.

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

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

14. INTERESTS IN JOINT VENTURES (JVS) AND OTHER INVESTMENTS

| | DLSL | ILL* | HSIC | DSIC | Unlisted | Total |
|-------------------------------------|----------------|---------------|--------------|--------------|-----------------|----------------|
| | £'000 | £'000 | £'000 | £'000 | £'000 | £'000 |
| Consolidated | | | | | | |
| Cost or valuation | | | | | | |
| At 31 March 2013 | 453,153 | 30,856 | 1,125 | 1,054 | 541 | 486,729 |
| Additions | 29,888 | - | 2,974 | - | 49 | 32,911 |
| Revaluation** | 52,733 | 932 | - | - | - | 53,665 |
| At 31 March 2014 | 535,774 | 31,788 | 4,099 | 1,054 | 590 | 573,305 |
| Additions | 28,217 | - | 4,000 | - | 226 | 32,443 |
| Revaluation | (31,363) | (480) | - | - | - | (31,843) |
| At 31 March 2015 | 532,628 | 31,308 | 8,099 | 1,054 | 816 | 573,905 |
| Share of JV losses/(profits) | | | | | | |
| At 31 March 2013 | 115,039 | - | 102 | - | 136 | 115,277 |
| In year | 26,068 | - | 250 | 58 | - | 26,376 |
| At 31 March 2014 | 141,107 | - | 352 | 58 | 136 | 141,653 |
| In year | 28,361 | - | (522) | 17 | - | 27,856 |
| At 31 March 2015 | 169,468 | - | (170) | 75 | 136 | 169,509 |
| Net book value | | | | | | |
| At 31 March 2014 | 394,667 | 31,788 | 3,747 | 996 | 454 | 431,652 |
| At 31 March 2015 | 363,160 | 31,308 | 8,269 | 979 | 680 | 404,396 |
| STFC | | | | | | |
| Cost | | | | | | |
| At 31 March 2013 | 424,858 | 1 | 1,125 | 1,054 | 541 | 427,579 |
| Additions | 29,888 | - | 2,974 | - | 49 | 32,911 |
| At 31 March 2014 | 454,746 | 1 | 4,099 | 1,054 | 590 | 460,490 |
| Additions | 28,217 | - | 4,000 | - | 226 | 32,443 |
| At 31 March 2015 | 482,963 | 1 | 8,099 | 1,054 | 816 | 492,933 |
| Impairment | | | | | | |
| At 31 March 2014 | - | - | - | - | 136 | 136 |
| At 31 March 2015 | - | - | - | - | 136 | 136 |
| Net book value | | | | | | |
| At 31 March 2014 | 454,746 | 1 | 4,099 | 1,054 | 454 | 460,354 |
| At 31 March 2015 | 482,963 | 1 | 8,099 | 1,054 | 680 | 492,797 |

* 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 credited to the SCNE.

** The revaluation figure for DLSL relates to an increase in the value of the investment to take account of a difference in accounting policy between STFC and DLSL. The gain on revaluation is held in the revaluation reserve and is not credited to the SCNE. See Note 1.6.

a. STFC Innovations Limited (SIL) (registered office RAL, Didcot, OX11 0QX; 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 intellectual property owned by STFC for the benefit of the United Kingdom economy in accordance with HM Government policy.

In 2014-15, SIL incurred a trading deficit of £0.290m (2013-14: £0.506m). 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 IFRS 10 Consolidated Financial Statements as explained in Note 1.3. SIL's accounting year end is 31 March. The aggregate deficit of capital and reserves at 31 March 2015 was £8.321m (2013-14: £8.032m).

b. Unlisted investments held by SIL

At 31 March 2015, SIL held interests in the following undertakings:

| | Country of incorporation | Class of shares held | Proportion held | Aggregate of capital & reserves | Profit/(loss) for the year |
|-------------------------------------|---------------------------------|-----------------------------|------------------------|--|-----------------------------------|
| | | | % | £'000 | £'000 |
| Oxsensis Limited | England and Wales | Ordinary | 3.1 | (2,805) | (1,320) |
| L3 Technology Limited | England and Wales | Ordinary | 0.3 | (117) | (314) |
| Microvisk Limited | England and Wales | Ordinary | 0.8 | 4,529 | (3,179) |
| Dsoft Limited | England and Wales | Ordinary | 24.0 | 9 | 33 |
| Cobalt Light Systems Limited | England and Wales | Ordinary | 20.2 | 4,401 | 2,657 |
| Quantum Detectors Limited | England and Wales | Ordinary | 90.0 | 111 | (1) |
| The Electrospinning Company Limited | England and Wales | Ordinary | 28.1 | 313 | (65) |
| Scitech Precision Limited | England and Wales | Ordinary | 100.0 | 210 | 54 |
| Teratech Components Limited | England and Wales | Ordinary | 49.9 | 309 | 138 |
| KEIT Limited | England and Wales | Ordinary | 15.2 | 383 | (387) |

At 31 March 2014, SIL held interests in the following undertakings:

| | Country of incorporation | Class of shares held | Proportion held | Aggregate of capital & reserves | Profit/(loss) for the year |
|-------------------------------------|--------------------------|----------------------|-----------------|---------------------------------|----------------------------|
| | | | % | £'000 | £'000 |
| Oxsensis Limited | England and Wales | Ordinary | 3.1 | (646) | 104 |
| L3 Technology Limited | England and Wales | Ordinary | 0.3 | 197 | (361) |
| Microvisk Limited | England and Wales | Ordinary | 0.8 | 2,169 | (2,814) |
| Dsoft Limited | England and Wales | Ordinary | 24.0 | 8 | 36 |
| Cobalt Light Systems Limited | England and Wales | Ordinary | 20.2 | 1,744 | 5 |
| Quantum Detectors Limited | England and Wales | Ordinary | 90.0 | 112 | 52 |
| The Electrospinning Company Limited | England and Wales | Ordinary | 24.6 | 198 | (76) |
| Scitech Precision Limited | England and Wales | Ordinary | 100.0 | 155 | 9 |
| Cella Energy Limited | England and Wales | Ordinary | 9.0 | 527 | (1,519) |
| Teratech Components Limited | England and Wales | Ordinary | 49.9 | 166 | 6 |
| KEIT Limited | England and Wales | Ordinary | 49.9 | 498 | (102) |

All other unlisted investments are held at £nil.

c. Diamond Light Source Limited (DLSL) (registered office Diamond House, Harwell Science and Innovation Campus, Didcot, OX11 0DE; registration number 4375679)

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

The Council's shareholding in DLSL at 31 March 2015 is 423,400,421 (2013-14: 403,046,421) ordinary shares of £1 each and 57,050,729 (2013-14: 51,700,649) 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's CSCNE includes £45.811m joint venture funding for DLS (2013-14: £40.433m).

The operating results, assets and liabilities of DLSL are reflected in STFC's Financial Statements in accordance with IFRS 11 *Joint Arrangements* and IFRS 12 *Disclosure of*

interests in other entities. DLSL accounting year end is 31 March. The aggregate amount of capital and reserves at 31 March 2015 was £350.202m (2013-14: £350.869m) and the loss for the year was £32.328m (2013-14: £29.623m).

The investment in DLSL has been reduced by £31.363m (2013-14: £52.733m increase) to take account of a difference in accounting policy between STFC and DLSL. See Note 1.6.

In 2014-15 an Impairment Review of DLSL was undertaken in accordance with IAS 36 Impairment of Assets; the review concluded that no impairment was required in STFC's own accounts.

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

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

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 registered office of ILL is BP 156, 6, rue Jules Horowitz, 38042, Grenoble Cedex 9, France.

ILL management requested confirmation from each Associate of their respective liability corresponding to the non-financed provisions, €151.2m, whose disbursement will occur in the future. One of the Associates was not able to provide confirmation for €14.2m of the balance, as a result the auditors of ILL qualified their opinion on the accounts. The auditors confirmed that, except for this balance, the financial statements gave a true and fair view of the assets and liabilities, and of the financial position of ILL at the financial year end. STFC is content that this matter does not have a material impact on the value of its investment in ILL.

The operating results, assets and liabilities of ILL are reflected in STFC's Financial Statements in accordance with IFRS 11. ILL's accounting year end is 31 December; STFC has incorporated ILL accounts for the year ended 31 December 2014 in its accounts for 31 March 2015. The aggregate amount of ILL capital and reserves at 31 December 2014 was £127.412m (2013: £131.203m), and the loss for the year was £nil (2013: £nil).

f. Harwell Campus

The Harwell Science and Innovation Campus Limited Partnership (HSIC LP) was created in 2008 for the purpose of developing the Harwell Oxford campus. The original partners in HSIC LP were Goodman, an international property group, and Harwell Science and Innovation Campus Public Sector Partnership (PubSP), which holds the public sector's interest in the HSIC JV. During 2013-14, Goodman exited the partnership, transferring their interest to Harwell Oxford Developments Limited (HOD), a joint venture comprising leading UK real estate developer and investor Development Securities plc and Harwell Oxford Partners.

HSIC LP remains a 50:50 public:private partnership. Management and control of PubSP, the public sector partner in HSIC LP, remains jointly shared by STFC and the UKAEA (the Authority) with financial interests reflecting the relative property and cash contributions of the partners.

The registered office of HSIC PubSP is Royal Observatory Edinburgh, Blackford Hill, Edinburgh EH9 3HJ.

The operating results, assets and liabilities of HSIC PubSP are reflected in STFC's Financial Statements in accordance with IFRS 11. HSIC PubSP accounting year end is 31 March. The aggregate amount of capital and reserves at 31 March 2015 was £20.098m (2013-14: £12.975m), and the profit for the year was £2.373m (2013-14: loss of £1.013m). At 31 March 2015 STFC holds a 34% share in PubSP with the Authority holding 66%.

g. Sci-Tech Daresbury

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

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

The partners in DSIC LLP are Langtree, a commercial property development company and Daresbury SIC (Pubsec) LLP, which holds the public sector's interest in the JV. Daresbury SIC (Pubsec) LLP is a partnership between STFC and Halton Borough Council in which management and control is shared equally between the partners, while the public sector's financial interest in the JV is represented by loan notes held by STFC. The loan notes were initially issued to the Northwest Regional Development Agency (NWDA), in consideration for properties contributed to the JV and were transferred to STFC when NWDA was abolished in March 2012. DSIC LLP is developing a master plan for the campus and will be able to acquire additional land through Conditional Sale Agreements, including certain plots currently owned by STFC. In collaboration with Halton Borough Council, the JV is currently taking forward a £20m programme of development including 60,000 sq ft of new innovation offices and lab space, site connectivity works and a power supply upgrade, financed through

a combination of grants from the European Regional Development Fund, UK Regional Development Fund and Enterprise Zone and contributions from Scottish Power, Langtree and STFC.

The registered office of Daresbury SIC (Pubsec) LLP is: Daresbury Laboratory, Keckwick Lane, Daresbury, Warrington WA4 4AD.

The operating results, assets and liabilities of Daresbury SIC (Pubsec) LLP are reflected in STFC's Financial Statements in accordance with IFRS 11. Daresbury SIC (Pubsec) LLP accounting year end is 31 March. The aggregate amount of capital and reserves at 31 March 2015 was £0.895m (2013-14 £0.929m) and the loss for the year was £0.034m (2013-14: £0.061m).

h. Other

INTERNATIONAL COLLABORATIONS

As detailed in Note 8, STFC makes significant contributions to a number of international organisations in addition to ILL: CERN, ESF, ESO, and ESRF. STFC holds voting powers in each of these organisations and also holds 1,400 (2013-14: 1,400) common shares in ESRF (14%). STFC's shareholding in ESRF will reduce following ratification of the new Protocol, when 350 of the shares will be legally transferred to Russia. 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 (2013-14: 21,875) ordinary shares of 0.01p (21.875% interest) in Spectrum (General Partner) Limited. This company was set up to act as the Advisory Board for the Rainbow Seed Fund (RSF) and its purpose is to ensure that the RSF operates within the parameters set out by BIS and to monitor the performance of the fund and the fund manager.

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

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

NEOS INTERACTIVE LIMITED (REGISTRATION NUMBER 3564252)

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

15. TRADE AND OTHER RECEIVABLES

| | STFC | Consolidated | Consolidated |
|---|---------------|---------------|---------------|
| | 2015 | 2015 | 2014 |
| | £'000 | £'000 | £'000 |
| Analysis by type | | | |
| Amounts due falling within one year | | | |
| Trade receivables | 8,712 | 8,712 | 9,123 |
| Other receivables | 1,944 | 1,944 | 2,082 |
| Prepayments | 28,096 | 28,096 | 29,561 |
| Accrued income | 16,785 | 16,785 | 10,681 |
| Total | 55,537 | 55,537 | 51,447 |
| Amounts falling due after more than one year | | | |
| Other receivables | 1,273 | 1,273 | 1,654 |
| Prepayments | 3,636 | 3,636 | 3,093 |
| Total | 4,909 | 4,909 | 4,747 |

Included within accrued income is £1.188m (2013-14: £1.690m) 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 (2013-14: £0.082m) and £3.010m (2013-14: £3.092m) respectively.

| | STFC | Consolidated | Consolidated |
|---|---------------|---------------|---------------|
| | 2015 | 2015 | 2014 |
| | £'000 | £'000 | £'000 |
| Analysis by source | | | |
| Amounts due falling within one year | | | |
| Other central Government bodies | 4,154 | 4,154 | 5,632 |
| Public corporations and trading funds | 78 | 78 | 26 |
| Bodies external to Government | 51,305 | 51,305 | 45,789 |
| Total | 55,537 | 55,537 | 51,447 |
| Amounts falling due after more than one year | | | |
| Other central Government bodies | 4,019 | 4,019 | 4,438 |
| Bodies external to Government | 890 | 890 | 309 |
| Total | 4,909 | 4,909 | 4,747 |

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

| | STFC | Consolidated | Consolidated |
|--|--------------|---------------------|---------------------|
| | 2015 | 2015 | 2014 |
| | £'000 | £'000 | £'000 |
| Provision for doubtful debts at beginning of period | 518 | 518 | 716 |
| Charged to SCNE | 469 | 469 | 426 |
| Utilised during the period | (17) | (17) | (54) |
| Released during the period | (419) | (419) | (570) |
| Provision for doubtful debts at the end of the period | 551 | 551 | 518 |

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

| | STFC | Consolidated | Consolidated |
|------------------------|--------------|---------------------|---------------------|
| | 2015 | 2015 | 2014 |
| | £'000 | £'000 | £'000 |
| Current | 6,591 | 6,591 | 5,200 |
| 0 – 60 days past due | 1,606 | 1,606 | 2,616 |
| 61 – 360 days past due | 511 | 511 | 1,308 |
| Over 360 days past due | 4 | 4 | - |
| | 8,712 | 8,712 | 9,124 |

There are no indicators at 31 March 2015 that debtors will not meet their payment obligations in respect of the net amount of trade receivables recognised in the Statement of Financial Position.

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

16. OTHER FINANCIAL ASSETS

| | STFC | Consolidated | Consolidated |
|------------------------|--------------|--------------|--------------|
| | 2015 | 2015 | 2014 |
| | £'000 | £'000 | £'000 |
| Long term loans | | | |
| Daresbury SIC LLP | 9,463 | 9,463 | 9,463 |
| Oxsensis Ltd | 308 | 308 | 238 |
| | 9,771 | 9,771 | 9,701 |

The long term loan to Daresbury SIC LLP relates to loan notes transferred from the NWDA and received in exchange for properties contributed to the Daresbury SIC LLP. They become due and receivable after a five years holiday on payment and are subject to an agreed repayment profile. They carry interest at a rate of 3% per annum but receipt is deferred until three years from the date of completion. Interest of £1.297m (2014: £0.980m) has been accrued as at 31 March 2015.

£0.238m of loan stock was purchased in Oxsensis Ltd on 30 March 2012 and a further £0.070m during 2014-15. Interest is payable on the loan at 10% per annum until the redemption date of April 2017. Interest of £0.055m (2014: £0.026m) had been accrued as at 31 March 2015.

The total loan interest accrued of £1.352m is included in Other receivables, in amounts falling due within one year, in note 15.

17. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

IAS 39, *Financial instruments: recognition and measurement*, IFRS 7, *Financial instruments: disclosure*, and IAS 32, *Financial instruments: disclosures*, have been adopted by STFC with effect from 1 April 2008. IAS 32 requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. The Council is not exposed to the degree of financial risk faced by business entities, because of the largely non-trading nature of its activities and the way in which Government bodies are financed. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IAS 39, IFRS 7 and IAS 32 mainly apply.

CREDIT RISK

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

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

LIQUIDITY RISK

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

INTEREST-RATE RISK

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

CURRENCY RISK

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

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

At 31 March 2015 STFC held nine forward contracts (seven Euro and two Swiss Francs) with a cost at settlement of £111.662m. If these contracts had been entered into at 31 March 2015 the settlement cost would be £109.749 (using the active market rates ruling at 31 March 2015) giving a fair value of £1.913 credit.

Forward contracts have been placed to cover 90% of the 2015-16 International subscriptions.

STFC Forward Contracts Held at the year end

| | Cost at settlement | Cost if acquired at the year end | Fair Value |
|---------------------------------|--------------------|----------------------------------|----------------|
| | £'000 | £'000 | £'000 |
| Balance at 31 March 2013 | 237,950 | 240,373 | 2,423 |
| Redemptions | (133,605) | (135,653) | (2,048) |
| Revaluations | - | (2,637) | (2,637) |
| Net movement | (133,605) | (138,290) | (4,685) |
| Balance at 31 March 2014 | 104,345 | 102,083 | (2,262) |
| Additions | 111,662 | 109,749 | (1,913) |
| Redemptions | (104,345) | (102,083) | 2,262 |
| Net movement | 7,317 | 7,666 | 349 |
| Balance at 31 March 2015 | 111,662 | 109,749 | (1,913) |

Fair Value analysed between current and non-current

| | | Fair value | Fair value |
|------------------------------------|--|-------------------|-------------------|
| | | 2015 | 2014 |
| | | £'000 | £'000 |
| Euro contracts | | (3,745) | (709) |
| Swiss Francs (CHF) contracts | | 1,832 | (1,553) |
| Due not later than one year | | (1,913) | (2,262) |

Additions and redemptions for 2014-15 excludes two forward contracts which were purchased and settled in year. The cost at settlement was £20.274m.

18. CASH AND CASH EQUIVALENTS

| | | STFC | Consolidated | Consolidated |
|--|--|----------------|---------------------|---------------------|
| | | 2015 | 2015 | 2014 |
| | | £'000 | £'000 | £'000 |
| Balance at 1 April | | 3,749 | 3,749 | 1,067 |
| Increase/(decrease) in cash and cash equivalents | | (6,021) | (6,021) | 2,682 |
| Balance at 31 March | | (2,272) | (2,272) | 3,749 |

At 31 March 2015 the Government bank accounts in the General Ledger showed an over drawn balance of £2.710m (2014: £2.905m in credit). The balance was held in commercial bank accounts.

The Government bank accounts balance at 31 March 2015 includes a reduction of £4.257m for payments made by bank transfer which cleared the bank on 1 April 2015, thus the actual STFC bank position was in credit and not over drawn at the year end.

19. NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

| | | STFC | Consolidated | Consolidated |
|----------------------------|--|--------------|---------------------|---------------------|
| | | 2015 | 2015 | 2014 |
| | | £'000 | £'000 | £'000 |
| Assets held for sale | | 678 | 678 | - |
| Balance at 31 March | | 678 | 678 | - |

Non-Current Assets classified as held for sale is a building that forms part of the JAC in Hawaii (see note 27 discontinued operations). Negotiations are in progress for the sale and it is expected to be completed in the next financial year. The building has been valued at the expected net disposal proceeds.

20. TRADE AND OTHER PAYABLES

| | | STFC | Consolidated | Consolidated |
|---|--|---------------|---------------|---------------|
| | | 2015 | 2015 | 2014 |
| | | £'000 | £'000 | £'000 |
| Analysis by type | | | | |
| Amounts falling due within one year | | | | |
| Trade payables | | 15,303 | 15,303 | 16,150 |
| Other payables | | 3,751 | 3,751 | 4,805 |
| Accruals | | 43,136 | 43,136 | 48,030 |
| Deferred income | | 10,091 | 10,091 | 16,945 |
| Total | | 72,281 | 72,281 | 85,930 |
| Amounts falling due after more than one year | | | | |
| Other payables | | 2,044 | 2,044 | 3,026 |
| Total | | 2,044 | 2,044 | 3,026 |

| | | STFC | Consolidated | Consolidated |
|---|--|---------------|---------------|---------------|
| | | 2015 | 2015 | 2014 |
| | | £'000 | £'000 | £'000 |
| Analysis by source | | | | |
| Amounts falling due within one year | | | | |
| Other central Government bodies | | 15,456 | 15,456 | 7,789 |
| Local authorities | | 8 | 8 | 18 |
| Public corporations and trading funds | | 7 | 7 | 43 |
| Bodies external to Government | | 56,810 | 56,810 | 78,078 |
| Total | | 72,281 | 72,281 | 85,930 |
| Amounts falling due after more than one year | | | | |
| Other central Government bodies | | 2,044 | 2,044 | 3,026 |
| | | 2,044 | 2,044 | 3,026 |
| Total | | | | |

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

21. PROVISIONS FOR LIABILITIES AND CHARGES

| | STFC | Consolidated | Consolidated |
|----------------------------|---------------|---------------|---------------|
| | 2015 | 2015 | 2014 |
| | £'000 | £'000 | £'000 |
| Decommissioning | | | |
| Balance at 1 April | 35,017 | 35,017 | 34,345 |
| Increase in provision | - | - | 454 |
| Reduction in provision | (1,358) | (1,358) | - |
| Unwinding of discount | 223 | 223 | 218 |
| Balance at 31 March | 33,882 | 33,882 | 35,017 |

| | STFC | Consolidated | Consolidated |
|----------------------------|---------------|---------------|---------------|
| | 2015 | 2015 | 2014 |
| | £'000 | £'000 | £'000 |
| Restructuring | | | |
| Balance at 1 April | - | - | 990 |
| Reduction in provision | - | - | (990) |
| Balance at 31 March | - | - | - |
| Total provisions | 33,882 | 33,882 | 35,017 |

| | STFC | Consolidated | Consolidated |
|--|---------------|---------------|---------------|
| | 2015 | 2015 | 2014 |
| | £'000 | £'000 | £'000 |
| Analysis of expected timing of discounted flows | | | |
| Between 2 and 5 years | 1,024 | 1,024 | 912 |
| Thereafter | 32,858 | 32,858 | 34,105 |
| Balance at 31 March | 33,882 | 33,882 | 35,017 |

DECOMMISSIONING OF TECHNICAL FACILITIES

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

As at 31 March 2015 the discount rates used in the calculation of decommissioning provisions changed as per *HM Treasury PES (2014) 09 Discount Rates for General Provisions*. The Council has therefore applied the following discount rates:

| Rate | Real rate |
|-------------|-----------|
| Short-term | -1.50% |
| Medium-term | -1.05% |
| Long-term | 2.20% |

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

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

The ISIS provision £11.1m (2013-14: £10.6m) was revalued in 2012-13 and validated against three professional valuations.

Provisions for the costs associated with decommissioning two assets at DL have been included:

1. ALICE accelerator £1.0m (2013-14: £0.9m) : STFC will be required to decommission and restore the site on which the ALICE accelerator sits at the end of its estimated useful life in 2016-17, which includes the cost of low level active waste disposal; and
2. VELA £0.3m (2013-14: £0.3m): STFC will be required to decommission and restore the site of the VELA (Versatile Electron Linear Accelerator) at the end of its estimated useful life in 2027-28.

A decommissioning provision for ILL £21.5m (2013-14: £23.2m) is included. In 2010-11 STFC, as the UK representative, and the other associates, was 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 revalued in 2007 and updated by ILL management in 2013.

22. CONTINGENT LIABILITIES

STFC had the following contingent liabilities as at 31 March 2015:

- a. £10.4m (2013-14: £10.7m) 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.
- b. £1.9m (2013-14: £2.1m) in respect of ESRF decommissioning costs associated with the dismantling of the facility and infrastructures. Decommissioning occurs on winding up of ESRF. If exit by the UK (or any other Member) results in ESRF being wound up, the Members are required to arrange for decommissioning of ESRF's plant and buildings and to meet the costs of doing so in proportion to their share of capital at the time of dissolution. As there has been no past obligating event these costs are treated as a contingent liability in accordance with IAS37.

- c. The Council collaborates with a number of other international partners in the funding, management and operation of technical facilities which are not owned by STFC. In the event of a decision to withdraw from any of these arrangements, it is likely that STFC would assist in the search for a replacement partner to ensure that technical commitments were met. The most significant international collaborations are in respect of CERN and ESO. For each of these facilities there is the possibility that STFC would be obliged to contribute to decommissioning costs arising from a decision taken to discontinue operations. The decisions to decommission are not wholly within STFC's control:
- CERN – the CERN Convention will be dissolved if there is less than five Member States, or on the agreement of all Member States. If withdrawal from CERN by the UK results in either CERN itself and/or any programme coming to an end, deficits may potentially arise for which the UK will be required to contribute in the proportion of its contribution, if it is participating at the time of ending.
 - ESO – the ESO Convention may be dissolved at any time by a resolution of two-thirds of the Members. If there are outstanding liabilities on dissolution of ESO, those liabilities are to be met by the Members pro rata to their contributions for the then current year.

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

- d. STFC has a number of ongoing small value claims from employees. Any obligation related to these claims cannot be reliably measured at the date of the Financial Statements.
- e. STFC currently occupies space within the Cockcroft Institute building on the Sci-Tech Daresbury campus. The lease for the Cockcroft Institute (CI) building is held by the University of Liverpool and is due to expire on 31st March 2017. Under the terms of the CI agreement, all the partners (University of Liverpool, University of Manchester, Lancaster University and STFC) will be liable to pay a share of the dilapidations charged by the landlord at the end of lease. It is uncertain at this time if the lease will be renewed in 2017.
- f. £0.5m potential liability relating to EU projects arising from disallowable costs. STFC is awaiting the outcome of an Audit decision.

23. COMMITMENTS

STFC had the following commitments at the balance sheet date:

| | | STFC | Consolidated | Consolidated |
|-------------------------|--|----------------|---------------------|---------------------|
| | | 2015 | 2015 | 2014 |
| | | £'000 | £'000 | £'000 |
| Research grants | | | | |
| Payable within 1 year | | 96,274 | 96,274 | 106,911 |
| Payable in 2 to 5 years | | 90,008 | 90,008 | 146,962 |
| Total commitment | | 186,282 | 186,282 | 253,873 |

| | | STFC | Consolidated | Consolidated |
|---|--|--------------|---------------------|---------------------|
| | | 2015 | 2015 | 2014 |
| | | £'000 | £'000 | £'000 |
| Capital expenditure | | | | |
| Contracted but not provided for: | | | | |
| Property, plant and equipment | | 7,652 | 27,464 | 23,258 |
| Intangible assets | | 1,352 | 1,352 | 2,634 |
| | | 9,004 | 28,816 | 25,892 |

| | | STFC | Consolidated | Consolidated |
|------------------------------------|--|----------------|---------------------|---------------------|
| | | 2015 | 2015 | 2014 |
| | | £'000 | £'000 | £'000 |
| International subscriptions | | | | |
| Payable within 1 year | | 151,529 | 151,529 | 150,957 |
| Payable in 2 to 5 years | | 161,350 | 161,350 | 173,246 |
| Payable beyond 5 years | | 58,447 | 58,447 | 80,814 |
| | | 371,326 | 371,326 | 405,017 |

Commitments for research grants exclude grants that are paid by STFC on behalf of the UK Space Agency as they are reimbursed.

24. LEASES

24.1 OBLIGATIONS UNDER OPERATING LEASES

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

| | | STFC | Consolidated | Consolidated |
|---------------------------|--|--------------|---------------------|---------------------|
| | | 2015 | 2015 | 2014 |
| | | £'000 | £'000 | £'000 |
| Land and buildings | | | | |
| Not later than one year | | 28 | 28 | 32 |
| | | 28 | 28 | 32 |

| | | STFC | Consolidated | Consolidated |
|---|--|--------------|---------------------|---------------------|
| | | 2015 | 2015 | 2014 |
| | | £'000 | £'000 | £'000 |
| Other leases | | | | |
| Not later than one year | | 18 | 18 | 32 |
| Later than one year and not later than five years | | 28 | 28 | 36 |
| | | 46 | 46 | 68 |

- a. £0.116m was charged to the SCNE in respect of operating leases in 2014-15 (2013-14: £0.122m).
- b. STFC facilities at the JAC in Hawaii are located on land owned or managed by the University of Hawaii. There is currently a licence in place between STFC and East Asian Observatory (EAO) allowing EAO to occupy the Joint Astronomy Centre building pending the sale of STFC's right to occupy the building to the National Astronomical Observatory of Japan (and therefore the termination of this operating lease arrangement between STFC and the University of Hawaii) which will take place in 2015.
- c. STFC facility at ING is located on Spanish land. There is an operating lease in place between the Spanish host, Instituto de Astrofísica de Canarias (IAC) and STFC for a peppercorn rent. STFC gives 20% of telescope time to IAC in lieu of land rental. The lease was renewed in May 2012 for a further ten years. This extension was by mutual agreement and can be ended by mutual agreement without penalty. The Jacobus Kapteyn Telescope was transferred to the IAC in December 2013. STFC plans to terminate the lease for the remaining 2 telescopes (William Herschel Telescope and Isaac Newton Telescope) in 2015 with the IAC also taking ownership of these telescopes.
- d. In consideration of a one off payment of £4.095m the Council has leased land from the United Kingdom Atomic Energy Authority for a period of 50 years from 1 January 2003.

In accordance with IAS 17 this lease has been recognised as a current and non-current prepayment in Note 15.

24.2 OPERATING LEASES GRANTED

- a. 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.
- b. STFC earns rental income in respect of tenancy agreements at RAL and DL.

| | | STFC | Consolidated | Consolidated |
|--|--|--------------|---------------------|---------------------|
| | | 2015 | 2015 | 2014 |
| | | £'000 | £'000 | £'000 |
| Land and buildings | | | | |
| Not later than 1 year | | 1,097 | 1,097 | 354 |
| Later than 1 year and not later than 5 years | | 581 | 581 | 782 |
| | | 1,678 | 1,678 | 1,136 |

25. RELATED PARTY TRANSACTIONS

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

In addition the Council had various material transactions with other Government organisations; the total income generated from these bodies is set out in Note 10.

As set out in Note 14, the Council holds the major interest in DLSL. Related party transactions with DLSL for the period ending 31 March 2015 were as follows:

| | | | 2015 | 2014 |
|--|--|--|--------------|--------------|
| | | | £'000 | £'000 |
| Provision of technical and scientific manpower, costs collected on behalf of DLSL, accommodation and site services | | | 1,653 | 2,004 |
| Purchase of goods and services from DLSL | | | 106 | 154 |
| | | | | |
| Amounts owing to DLSL | | | 9,423 | 1,536 |
| Amounts owing by DLSL | | | (442) | (268) |
| Outstanding balance at 31 March | | | 8,981 | 1,268 |

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

As set out in Note 14, the Council holds a one-third interest in ILL. Related party transactions with ILL for the period ending 31 March 2014 were as follows:

| | | | 2015 | 2014 |
|--|--|--|--------------|--------------|
| | | | £'000 | £'000 |
| Subscription to ILL | | | 15,350 | 15,374 |
| Amounts owing to ILL | | | - | 10 |
| Amounts owing by ILL | | | - | - |
| Outstanding balance at 31 March | | | - | 10 |

As set out in Note 14 the Council holds a minority interest in Harwell Science and Innovation Campus Public Sector (PubSP) and 50% management control. Related party transactions with PubSP for the period ending 31 March 2015 are that of the £4.0m (2013-14: £2.974m) of capital introduced to the partnership.

PubSP has in turn 50% management control over HSIC Limited Partnership. Related party transactions between STFC (via HSIC PubSP) and HSIC LP for the year ended 31 March 2015 are as follows:

| | | | 2015 | 2014 |
|--|--|--|--------------|--------------|
| | | | £'000 | £'000 |
| Admin service charge to HSIC | | | 32 | 31 |
| Purchases from HSIC | | | 652 | 1,102 |
| Amounts owing to HSIC | | | 3 | 760 |
| Amounts owing by HSIC | | | - | - |
| Outstanding balance at 31 March | | | 3 | 760 |

As set out in Note 14 the Council holds an interest in Daresbury Science and Innovation Campus Limited Public Sector (PubSP) and 50% management control. There were no related party transactions with PubSP for the period ending 31 March 2015 (2013-14: £0.8m relating to a capital grant given to the partnership).

PubSP has in turn 50% management control over DSIC Limited Partnership. Related party transactions between STFC (via DSIC PubSP) and DSIC LP for the year ended 31 March 2015 are as follows:

| | | | 2015 | 2014 |
|--|--|--|--------------|--------------|
| | | | £'000 | £'000 |
| Admin service charge to DSIC | | | 2 | 23 |
| Amounts owing by DSIC | | | (2) | (9) |
| Outstanding balance at 31 March | | | (2) | (9) |

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 of related party | Number of grants | Aggregate value | Number of contracts | Aggregate value |
|---|-------------------------|------------------------|----------------------------|------------------------|
| | | £'000 | | £'000 |
| Council members | | | | |
| Professor Sir Michael Sterling FREng | | | | |
| University of Birmingham | 5 | 136 | 6 | 112 |
| Brunel University | - | - | 2 | 28 |
| Professor John Womersley* | | | | |
| University of Durham | 6 | 1,957 | 9 | 88 |
| University of Oxford | 9 | 5,466 | 43 | 759 |
| University College London | 11 | 794 | 21 | 476 |
| Mrs Gill Ball OBE | | | | |
| University of Birmingham | 5 | 136 | 6 | 112 |
| Professor Martin Barstow FRSA FinstP | | | | |
| University of Oxford | 9 | 5,466 | 43 | 759 |
| University of Leicester | 1 | 41 | - | - |
| Dr Brian Bowsher | | | | |
| National Physical Laboratory | - | - | 5 | 60 |
| Professor Dame Julia Goodfellow | | | | |
| University of Kent | 1 | 71 | - | - |
| Professor David Price FGS | | | | |
| University College London | 11 | 794 | 21 | 476 |
| Professor James Stirling CBE FRS | | | | |
| Imperial College London | 2 | 1,599 | 13 | 750 |
| University of Cambridge | 9 | 9,898 | 29 | 336 |

*Also a member of Executive Board

None of the above named persons were involved in the authorisation of grants or awards or was involved in the placing of contracts with the institutions or bodies where they hold senior

positions or, in the case of Executive Board members, hold honorary or part-time teaching positions.

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

| Name | |
|--------------------------------------|---------------------------|
| Council members | |
| Professor Sir Michael Sterling FREng | University of Birmingham |
| Professor John Womersley* | University of Oxford |
| | University of Durham |
| | University College London |
| Mrs Gill Ball OBE | University of Birmingham |
| Professor Martin Barstow FRSA FInstP | University of Leicester |
| | University of Oxford |
| Professor Dame Julia Goodfellow | University of Kent |
| Professor David Price FGS | University College London |
| Professor James Stirling CBE FRS | University of Cambridge |
| | Imperial College London |

* Also a member of Executive Board

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

Professor John Womersley is a director of the Square Kilometre Array (SKA) Organisation. The SKA is a global project to build the world's largest and most sensitive radio telescope. STFC is the UK member of the SKA Organisation and contributed £1.2m to the SKA Organisation in 2014-15.

Three STFC senior employees and one SIL employee hold immaterial shareholdings in a number of SIL spin-out companies.

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

26. LOSSES AND SPECIAL PAYMENTS

| | 2015 | 2015 | 2014 | 2014 |
|----------------------------|----------|------------|-----------|-----------|
| | Number | Value | Number | Value |
| | | £'000 | | £'000 |
| Losses | | | | |
| Claims waived or abandoned | 4 | 18 | 25 | 49 |
| Accounting write offs | 1 | 1 | - | - |
| Fruitless payments* | 1 | 490 | - | - |
| | 6 | 509 | 25 | 49 |

*STFC pre-paid SWETS (UK) a library subscription management company, £490k to manage STFC's 2015 (calendar year) library subscriptions for about 150 journals managed by 30 publishers. On 22nd September the parent holding company (SWETS Information Services B.V) went into administration, and on the 9th October, the UK subsidiary followed. This resulted in the above fruitless payment which has been approved by BIS.

No special payments were made in 2014-15.

27. DISCONTINUED OPERATIONS

In June 2013, STFC was granted approval by BIS to transfer the ownership and operation of its two telescopes (UKIRT and JCMT) and facilities at the JAC in Hawaii to new operators. This was driven by the desire to withdraw from ownership of overseas facilities and to free up funds to invest in new facilities. UKIRT was transferred to a consortium in October 2014 and the JCMT is in the process of being transferred to a different consortium. The JAC qualifies to be classed as a discontinued operation in 2014-15. The revenue and expenses, relating to the JAC have been removed from the results of continuing operations and are shown as a single line item on the face of the Statement of Comprehensive Net Expenditure; this includes the comparative figures which have been restated.

(a) Results of discontinued operation

| | 2015 | 2014 |
|-------------------------------------|----------------|----------------|
| | £'000 | £'000 |
| Expenditure | | |
| Staff Costs | 284 | 323 |
| Restructuring * | 226 | (190) |
| Equipment and supplies | 215 | 363 |
| Services | 2,471 | 2,818 |
| Depreciation | 2,930 | 6,120 |
| Revaluation of assets held for sale | (678) | - |
| Other expenditure | (312) | 440 |
| Total expenditure | 5,136 | 9,874 |
| Income | | |
| Income from operating activities | (1,391) | (1,117) |
| Total income | (1,391) | (1,117) |
| Net operating expenditure | 3,745 | 8,757 |

*As per Note 5 in 2013-14 Accounts the figure of (190k) for restructuring is comprised of £800k estimated liability for redundancy of locally employed staff at the JAC; less £990k previously provided for in relation to STFC staff redundancy costs, no longer required due to staff redeployment within STFC.

(b) Cash flows from discontinued operation

| | 2015 | 2014 |
|---------------------------------------|--------------|--------------|
| | £'000 | £'000 |
| Net cash used in operating activities | (2,520) | (3,065) |
| Net cash from financing activities | 2,185 | 2,836 |
| Net cash flow for the year | (335) | (229) |

28. EVENTS AFTER THE REPORTING PERIOD

In accordance with the requirements of IAS10, *Events after the reporting period*, post Statement of Financial Position events are considered up to the date on which the Accounts are authorised for issue, this is interpreted as the same date as the date of the Certificate Report of the Comptroller and Auditor General. There are no post Statement of Financial Position events between the year end and this date.

STATISTICS (UNAUDITED)

RESEARCH GRANTS

| Research Organisation | Number of Awards | Astronomy | Telescope Travel | Projects | Particle Physics | Particle Astrophysics | Nuclear Physics |
|----------------------------------|------------------|-----------|------------------|-----------|------------------|-----------------------|-----------------|
| | | £ | £ | £ | £ | £ | £ |
| Armagh Observatory | 2 | 543,389 | | 42,201 | | | |
| Brunel University London | 2 | | | | 126,123 | | |
| Cardiff University | 5 | 77,701 | | 851,247 | | | |
| Durham University | 7 | 138,912 | | 1,789,854 | 17,410 | | |
| Heriot-Watt University | 2 | 79,392 | | | | | |
| Imperial College London | 7 | 83,958 | | 170,633 | 2,015,775 | | |
| Keele University | 1 | 1,167,019 | | | | | |
| King's College London | 1 | 1,141,628 | | | | | |
| Lancaster University | 5 | 923,885 | | | 633,214 | | |
| Liverpool John Moores University | 4 | 1,314,851 | 30,366 | 1,267,864 | | | |
| NERC British Antarctic Survey | 1 | 359,873 | | | | | |
| Northumbria University | 1 | | | 36,305 | | | |
| Open University | 5 | 203,815 | | | | | |
| Queen Mary, University of London | 6 | 1,274,394 | | | 771,155 | | |
| Queen's University of Belfast | 5 | 184,787 | 31,378 | 1,902,471 | | | |
| Royal Holloway, Univ of London | 5 | | | | 296,297 | | |
| Swansea University | 1 | | | | 1,053,685 | | |
| The Natural History Museum | 1 | 642,927 | | | | | |
| The University of Manchester | 13 | 1,621,498 | 18,219 | 647,274 | 2,912,366 | | 1,285,296 |
| University College London | 23 | 2,699,468 | 12,228 | 810,888 | 461,587 | 99,845 | |
| University of Birmingham | 7 | 1,006,055 | | 40,996 | 133,288 | | 1,260,641 |
| University of Brighton | 1 | | | | | | 112,514 |
| University of Bristol | 4 | 1,363,402 | 10,122 | | 83,820 | | |
| University of Cambridge | 23 | 2,344,120 | 20,868 | 1,942,437 | 516,004 | | |
| University of Central Lancashire | 2 | 1,147,992 | | | | | |
| University of Edinburgh | 21 | 3,486,948 | | 2,101,374 | 600,427 | 43,510 | 1,027,134 |
| University of Exeter | 3 | 716,551 | 20,235 | | | | |
| University of Glasgow | 9 | | | 951,211 | 1,168,118 | 52,008 | 1,409,257 |
| University of Hertfordshire | 3 | 2,468,756 | | | | | |
| University of Leeds | 2 | | 20,244 | 304,886 | | | |
| University of Leicester | 3 | | | 40,905 | | 48,300 | |
| University of Liverpool | 17 | | | 1,423,009 | 2,836,320 | 35,927 | 3,126,720 |
| University of Nottingham | 2 | | | | 663,603 | | |
| University of Oxford | 16 | 1,190,221 | | 1,498,393 | 3,415,070 | | |

| | | | | | | | |
|------------------------------------|---|-----------|--------|-----------|-----------|--------|-----------|
| University of Portsmouth | 6 | 159,276 | 4,137 | 532,738 | | | |
| University of Reading | 1 | 599,663 | | | | | |
| University of Sheffield | 8 | 1,894,439 | 23,282 | 55,511 | 297,568 | | |
| University of Southampton | 6 | 1,247,896 | | | 1,320,019 | | |
| University of St Andrews | 2 | 1,319,602 | | 39,035 | | | |
| University of Strathclyde | 1 | | | | 4,839 | | |
| University of Surrey | 2 | 317,571 | | | | | 1,836,574 |
| University of Sussex | 9 | 418,761 | 1,169 | | 846,904 | | |
| University of the West of Scotland | 2 | | | | | 51,716 | 379,758 |
| University of Warwick | 6 | | | 1,367,776 | 365,757 | | |
| University of York | 3 | | | | | | 1,966,341 |

KNOWLEDGE EXCHANGE

Industry Partnership Scheme (IPS) grants awarded during 2014 – 15

| Grant type | Number | £ |
|----------------------------|-----------|------------------|
| IPS | 0 | 0 |
| Mini IPS | 4 | 450,034 |
| Follow on Fund | 4 | 350,145 |
| Fellowship | 2 | 184,243 |
| Global Challenges Concepts | 12 | 441,936 |
| CLASP | 7 | 1,137,873 |
| | | |
| Total | 29 | 2,564,231 |

Education and training

STFC PhD Studentship applications for 2015 and 2016

| Institution | No. of Studentships | |
|-----------------------------|---------------------|------|
| | 2015 | 2016 |
| Universities & Colleges | | |
| Aberystwyth | 1 | 0 |
| Birmingham | 5 | 6 |
| Bradford | 0 | 1 |
| Brighton | 0 | 0 |
| Bristol | 3 | 3 |
| Brunel | 1 | 0 |
| Cambridge | 19 | 20 |
| Cardiff | 3 | 4 |
| Central Lancashire | 3 | 2 |
| City | 0 | 0 |
| Dundee | 1 | 0 |
| Durham | 14 | 16 |
| Edinburgh | 10 | 9 |
| Exeter | 3 | 2 |
| Glasgow | 9 | 10 |
| Heriot Watt | 2 | 1 |
| University of Hertfordshire | 3 | 2 |
| Imperial College London | 16 | 16 |
| Keele | 2 | 1 |
| Kent | 1 | 0 |
| Kings College London | 4 | 2 |
| Lancaster | 2 | 2 |
| Leeds | 4 | 2 |
| Leicester | 9 | 10 |

| | | |
|--------------------------------------|-----|-----|
| Liverpool | 12 | 12 |
| Liverpool John Moores | 4 | 4 |
| Manchester | 13 | 15 |
| Newcastle | 1 | 1 |
| Nottingham | 3 | 3 |
| Open University | 6 | 5 |
| Oxford | 17 | 18 |
| Portsmouth | 3 | 3 |
| Queen Mary, University of London | 6 | 7 |
| Royal Holloway, University of London | 3 | 2 |
| Sheffield | 4 | 5 |
| Southampton | 4 | 4 |
| St Andrews | 3 | 3 |
| Strathclyde | 1 | 1 |
| Surrey | 2 | 2 |
| Sussex | 3 | 4 |
| Swansea | 2 | 2 |
| University College London | 13 | 13 |
| Warwick | 5 | 6 |
| West of Scotland | 1 | 1 |
| York | 1 | 2 |
| Other | | |
| Armagh Observatory | 1 | 1 |
| Natural History Museum | 1 | 1 |
| Total | 224 | 224 |

GLOSSARY

ACRONYMS

| Acronym | Definition |
|----------------|---|
| AASG | Audit and Assurance Services Group |
| AGS | Annual Governance Statement |
| AHVLA | The Animal Health Veterinary Laboratories Agency |
| ALARP | As low as reasonably practicable |
| ALICE | Accelerators and Lasers In Combined Experiments |
| AUC | Assets under construction |
| BAT | Best Available Techniques |
| BBSRC | Biotechnology Biological Sciences Research Council |
| BIS | Department for Business Innovation and Skills |
| BME | Black and minority ethnic |
| CEA | Commissariat a l'energie atomique |
| CEO | Chief Executive Officer |
| CERN | The European Organization for Nuclear Research |
| CETV | Cash equivalent transfer value |
| CLARA | Compact Linear Accelerator for Research and Applications |
| CLF | Central Laser Facility |
| CPIs | Critical performance indicators |
| CPI | Consumer price index |
| CSD | Corporate Services Department |
| CSG | Cost Sharing Group |
| CRC | Carbon Reduction Commitment |
| CSR | Comprehensive Spending Review |
| DiRAC | Distributed Research utilising Advanced Computing |
| DL | Daresbury Laboratory |
| DLSL | Diamond Light Source Limited |
| DGKI | Director General, Knowledge and Innovations |
| DRC | Depreciated replacement cost |
| DSIC LLP | Daresbury Science and Innovation Campus Limited Liability Partnership |
| DSTL | Defence Science and Technology Laboratory |
| EA | Environment Agency |
| EAO | East Asian Observatory |
| E-ELT | European Extremely Large Telescope |
| EPSRC | Engineering and Physical Sciences Research Council |
| ESF | European Science Foundation |
| ESO | European Southern Observatory |
| ESRF | European Synchrotron Radiation Facility |
| EURATOM | European Atomic Energy Community |
| EUV | Existing use value |

| | |
|---------|--|
| FERA | The Food and Environment Research Laboratory |
| FReM | Financial Reporting Manual |
| FTE | Full-time equivalent |
| GAD | Government Actuary's Department |
| GD | Government department |
| GIAA | Government Internal Audit Agency |
| HMT | HM Treasury |
| HO | Harwell Oxford Campus |
| HOD | Harwell Oxford Developments Limited |
| HPA | The Health Protection Agency |
| H&S | Health and safety |
| HSIC | Harwell Science and Innovation Campus |
| HSIC LP | Harwell and Science innovation Campus Limited Partnership |
| HSE | Health and Safety Executive |
| IAC | Instituto de Astrofisica de Canarias |
| IET | The Institution of Engineering and Technology |
| IFRS | International Financial Reporting Standards |
| ILL | Institut Laue-Langevin |
| IMechE | Institution of Mechanical Engineers |
| ING | Isaac Newton Group |
| ISIC | International Space innovation Centre |
| I-TAC | STFC's Innovation Technology Access Centre |
| JAC | Joint Astronomy Centre |
| JCMT | James Clerk Maxwell Telescope |
| JWST | James Webb Space Telescope |
| K&I | Knowledge and Innovation Group at the Department of Business Innovation and Skills |
| LHC | Large Hadron Collider |
| LLEO | Low Level Earth Observation Model |
| MHCA | Modified historic cost accounting |
| MICE | Muon Ionisation Cooling Experiment |
| MoG | Machinery of Government |
| MRC | Medical Research Council |
| MSA | Master Service Agreement |
| MV | Market value |
| NAO | National Audit Office |
| NBV | Net book value |
| NDPB | Non-departmental public body |
| NERC | Natural Environment Research Council |
| NEST | National Employment Savings Trust |
| NGD | Non-Government department |
| NPL | The National Physical Laboratory |
| NUVOS | Pension Scheme for staff starting 2007 onwards |
| NWDA | North West Development Agency |

| | |
|------------|---|
| OB | Operations Board |
| OMV | Open market value |
| PCSPS | Principal Civil Service Pension Scheme |
| PES | Public Expenditure Survey |
| PNISS | Principal Non-Industrial Superannuation Scheme |
| PRC | Project Review Committee |
| PPE | Property, plant and equipment |
| PubSP | Public Sector Partnership |
| RAB | Resource Accounting and Budgeting |
| RAG | Risk Assurance Group |
| RAL | Rutherford Appleton Laboratory |
| RCUK | Research Councils United Kingdom |
| RCPS | Research Councils Pension Scheme |
| RFP | Research Funding Programme |
| RICS | Royal Institute of Chartered Surveyors |
| RIDDOR | Reporting of Injuries, Diseases, and Dangerous Occurrence Regulations |
| ROE | Royal Observatory Edinburgh |
| RoSPA | Royal Society for the Prevention of Accidents |
| RPAs | Radiation protection advisers |
| RPO | Radiation protection officer |
| RSF | Rainbow Seed Fund |
| RWAs | Radioactive waste advisers |
| SCNE | Statement of Comprehensive Net Expenditure |
| SCRI | The Scottish Crop Research Institute |
| SHE | Safety, health and environment |
| SIC | Scientific Innovations Limited |
| SIL | STFC Innovations Ltd |
| SKA | Square Kilometre Array |
| SO | Swindon office |
| SPC | Strategy, Performance and Communications Directorate |
| SPF | Security policy framework |
| SRMO | Security risk management overview |
| SSCL | Shared Services Connected Limited |
| STFC | Science and Technology Facilities Council |
| STEM | Science, technology, engineering, and mathematics |
| UELS | Useful Estimated Lives |
| UKAEA | UK Atomic Energy Authority |
| UKIRT | UK Infrared Telescope |
| UK SBS Ltd | UK Shared Business Services Ltd |
| VELA | Versatile Electron Linear Accelerator |
| WISE | Women in science and engineering |
| WiSTEM | Women in science, technology, engineering, and mathematics |
| XFEL | European X-ray Free Electron Laser |

Powering research, **creating** innovation
and **driving** economic growth for **our nation**

ISBN 978-1-4741-1997-9



9 781474 119979

Science and Technology Facilities Council
Polaris House, North Star Avenue, Swindon SN2 1SZ, UK
T: +44(0)1793 442000 F: +44(0)1793 442002 E: publications@stfc.ac.uk

www.stfc.ac.uk

