Natural Environment Research Council

Annual Report and Accounts 2014-15

NERC SCIENCE OF THE ENVIRONMENT

Natural Environment Research Council Annual Report and Accounts 2014-15

Presented to Parliament pursuant to Schedule 1 of the Science and Technology Act 1965

Ordered by the House of Commons to be printed 16 July 2015

HC 125

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

This publication is available at www.gov.uk/government/publications

Print ISBN 978 1474117814

Web ISBN 978 1474117821

ID 21041503 07/15

Printed on paper containing 75% recycled fibre content minimum.

Printed in the UK on behalf of the Controller of Her Majesty's Stationery Office.

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Some research reported here may not yet have been peer-reviewed or published. For a list of NERC Council members see page 36. For members of our other committees go to www.nerc.ac.uk.

The science of our changing world

The Natural Environment Research Council (NERC) is the driving force of investment in environmental science in the UK.

Our scientists, in universities and research centres, study and monitor the physical, chemical and biological processes on which life on our planet depends – from pole to pole, from the deep Earth and oceans, to the atmosphere and space.

Understanding our changing planet is fundamental to our future economic prosperity and wellbeing. The world-leading research, postgraduate training and innovation NERC supports, pushes the boundaries of our knowledge. Through collaboration with other science disciplines, with UK business and with policymakers, we use that knowledge to deliver innovation and growth with responsible management of the environment – to help us better prepare for tomorrow's challenges and shape how we live today.

Our strategic goals

To fund excellent, peer-reviewed environmental science that helps us:

- understand and predict how our planet works
- manage our environment responsibility as we pursue new ways of living, doing business, escaping poverty and growing economies.

With our researchers and stakeholders, we develop the priorities that provide a focus for the environmental science community. Our research is often multidisciplinary and designed and delivered in collaboration with national and international partners.

NERC runs a fleet of research ships and scientific aircraft. We have bases in some of the world's most hostile environments and we invest in satellite technology to monitor environmental change on a global scale.

NERC is committed to developing UK and international capability across the environmental sciences. We fund centres and universities to carry out research and to train and support a world-class community of environmental scientists.

NERC has six major environmental research centres

British Antarctic Survey BAS

British Geological Survey BGS

Centre for Ecology & Hydrology CEH

National Centre for Atmospheric Science NCAS

National Centre for Earth Observation NCEO

National Oceanography Centre NOC

Where their names appear in this report, they have been abbreviated.

Introduction

2015 is the fiftieth anniversary of NERC's creation. So this year, as well as continuing to invest in world-leading research, we have been marking the very significant contribution that NERC has made to environmental science over the last five decades. We are also looking to the future, preparing NERC for the challenges that lie ahead. Furthermore we are examining the broader risks and challenges facing us all, and the role of research in ensuring we put environmental science at the heart of responsible management of our planet.

NERC has changed significantly over the past year. We have streamlined and improved the way we work, raised our profile and built new partnerships to help us meet our strategic goal of putting environmental science at the heart of responsible management of our planet. Understanding the changing Earth system is fundamental to our future economic prosperity and wellbeing; as the driving force of UK investment in environmental science, NERC has a vital role to play in securing the nation's future.

We have implemented new funding models, refined proposals for how our research centres should be owned and managed, and created a corporate affairs group to improve communication of our science's benefits. We are investing in new strategic programmes to translate our science into forms that are useful for business and government, and working to increase selected specialist capability in NERC while dealing with a declining administration budget. We are also working with the Biotechnology and Biological Sciences Research Council (BBSRC) to identify common scientific challenges and ensure our funding has the greatest possible impact.

We aim to identify what is critical to our core mission, and to be clear about where we add value, and where value can best be created by working more closely with other councils. This will enable us to maximise our science's contribution to NERC strategic goals such as stimulating economic growth and increasing UK resilience to environmental change.

World-leading science

NERC is the driving force of environmental science in the UK; our researchers deliver breadth, depth and scientific excellence across our portfolio, and ensure we contribute to security, wellbeing and prosperity both in the UK and worldwide.

Last year saw the largest outbreak yet of the deadly Ebola virus, which has no known cure. A NERC-funded PhD student at the University of Edinburgh worked with colleagues in the US to sequence 99 Ebola virus genomes from patients in Sierra Leone. They analysed the sequences to understand how the virus has evolved during the current epidemic. Each genetic sequence was made available online to researchers worldwide: understanding the disease's evolution could help develop a vaccine or therapies to treat it.

A team from BAS led research that demonstrated how strong winds between Antarctica and Australia over recent decades have kept East Antarctica cool while the rest of the continent has warmed. This is also preventing winter storms from migrating into southern Australia, causing increasing droughts. Using Antarctic ice cores, tree rings and lake sediments from South America, the researchers revealed how winds have strengthened from the 15th century and accelerated sharply from the 1940s. They demonstrated a clear link to rising greenhouse gas levels by combining their observations with climate models. East Antarctica is the only continent where long-term cooling over past 2,000 years hasn't yet been reversed by global warming.

Results from the CryoSat-2 satellite mission this year revealed, however, that Antarctic ice loss has doubled in the past three years, compared to a survey between 2005 and 2010. The largest ice sheet on Earth is now losing 159 billion tonnes of ice a year, adding 0.45mm annually to global sea-level rise.

Meanwhile we are a step closer to accurate summer ice forecasts for the

Arctic, which are important for shipping and the oil and gas sector. Scientists can now forecast how much sea ice will cover the Arctic at the end of the summer by measuring the area covered by ponds of water in spring; University of Reading researchers confirmed that the early melt season is decisive for the strength of summer ice retreat.

The NERC- and Met Office-funded CONVEX project has used high-resolution models to study the impact of climate change on intense rainfall, which can cause flash flooding. By simulating the southern UK's climate using nine months of supercomputer time, the researchers showed that heavy summer downpours will be more frequent in the future; their model forecasts that by 2100 there will be almost five times more events in which more than 28mm of rain falls in an hour. The project is building a more complete picture of how rainfall may change as the climate warms, and will now be extended to the northern half of the UK.

Finally, a British-led international group has completed the first ever experiment to see what would happen if CO_2 leaked from storage deep under the sea floor. Carbon capture and storage is considered one of the most realistic proposals for fighting climate change while letting us keep using fossil fuels until we develop low-carbon energy sources, and the group's findings support the idea that this could be a viable way to cut our impact on the climate. After piping CO_2 directly into the seabed the researchers found that around 85 per cent of the gas stayed trapped in the sediments, that the small leaks which did appear caused little damage to plants and animals nearby, and that the changes they caused were soon reversed once the leak stopped.

Smarter delivery

We remain focused on making our processes more efficient and effective. Our project to determine the best ownership and governance models for four of our centres achieved important milestones this year. In December 2014, Council agreed the optimal model for CEH and NOC is to become companies limited by guarantee with charitable status. Then, in the March Budget Statement, the Chancellor announced a package of freedoms and flexibilities for research institutes to allow them to become increasingly effective, while retaining public sector status.

Our aim continues to be to protect our centres' world-class science while providing greater freedom and flexibility, enabling them to diversify their sources of funding and continue to attract renowned scientists. Work is now underway, in conjunction with the other affected research councils, to examine the detail of the Chancellor's announcement to ensure we continue to meet the aims of the ownership and governance project and can advise Council accordingly of how best to do that. All four of the NERC-owned centres are in scope for this consideration.

Work on the future status of NCAS has been paused pending the Government's response to the Nurse Review of the Research Councils. In all cases, NERC remains committed to sustaining long-term funding for its research centres, regardless of any changes in ownership and governance.

Last year we took steps to improve demand management for discovery science grants, aimed at reducing the number of unsuccessful grant applications, which are a waste of resources both for NERC and for the science community. To this end we are introducing a new institutional-level submission policy and working closely with universities to make sure all parties reap the benefits of fewer, stronger grant proposals.

We have reshaped our research funding streams to give the environmental science community more influence over NERC research priorities, and to streamline our internal processes. At the same time we have increased strategic research funding to enable researchers to play a greater role in shaping and delivering science.

We recently announced the first tranche of highlight topics, one of our three new funding streams. The response to our first call for ideas was extremely positive, and the strongest of the 150 ideas submitted by the environmental science community were developed into five research areas that will directly tackle the societal challenges identified in our strategy.

We have become more responsive to funding partners too, through our new joint strategic response funding stream, and internationally through the Newton Fund, in collaborative programmes with China, India and Brazil.

In May we signed a statement of intent with the National Natural Science Foundation of China and the Medical Research Council (MRC), committing to work together on research into air pollution and human health. This will provide the evidence needed to cost-effectively reduce the damage to health that air pollution causes in China's megacities.

In September we signed agreements with the US's National Science Foundation to facilitate collaboration between UK and American environmental scientists.

The coming years are not without risk and uncertainty for NERC; as described later in this report, areas of focus include the outcome of the forthcoming Comprehensive Spending Review and of the Nurse review; risks to the Halley VI Antarctic research base from changes in the ice shelf it rests on; and failure to reach agreement on the future operating model of our research centres. We are working hard to make sure these risks are appropriately managed and mitigated.

Strengthening the UK science base

In line with the government's Eight Great Technologies initiative, NOC has invested more than £3m to develop its Marine Autonomous and Robotic Systems (MARS) Innovation Centre. The centre will provide a collaborative space, linked to specialist engineering and test facilities, to enhance cooperation between academia and SMEs in order to advance autonomous technologies and foster business growth.

The last decade has seen significant advances in marine autonomous systems, in particular with the advent of autonomous underwater vehicles, which are now being used widely in scientific, commercial and defence environments. The marine science community has now begun to adopt unmanned surface vehicles as well, and trials are underway at NOC to exploit their capabilities.

Eight shipyards have reached the next stage of the procurement process for our new state-of-the-art polar research ship. We are working with the science community to refine the technical requirements for the vessel, which will keep the UK at the forefront of polar research. It will provide a cutting-edge research facility with greater ice-strengthened capability and longer endurance than our existing polar research ships, which are coming to the end of their operational lives.

Work has started at Heriot-Watt University's Edinburgh campus on the £20m Lyell Centre – a major new research hub for geological, petroleum and marine sciences and the new Scottish headquarters for BGS. Due to open in 2016, it will form a global centre of research excellence, bringing together expertise in geoscience, marine ecology, computing, mathematics and engineering. It will play a key role in finding practical solutions and providing evidence to assist policy makers in answering big questions around energy supply, environmental impact and global climate change.

It will also incorporate our Centre for Doctoral Training in Oil and Gas. Around 30 students already started their PhDs here in 2014 – the first stage in the Centre's mission of creating a highly skilled workforce with skills transferable across the energy and wider environment sectors.

The 2014 Autumn Statement allocated £31 million to

BGS to establish the Energy Security and Innovation Observing System for the Subsurface (ESIOS). This is the first of its kind, a pioneering system to provide the evidence base about environmental impact that will allow Britain to determine if it can safely realise the huge potential of its underground energy resources.

In October NERC signed a new £23m contract with the University of Leicester to continue funding NCEO for a further five years. NCEO scientists have played a key role in understanding the current state of the climate and developing new applications for satellite data. This investment underlines NERC's long-term commitment to support the UK's world-leading capability in big data and satellite technology.

We were also pleased to announce major upgrades to the JASMIN cloud computing facility, alongside the Science and Technology Facilities Council (STFC), and to the ARCHER supercomputer with the Engineering and Physical Sciences Research Council (EPSRC). These resources enable UK environmental scientists to work with huge and complex datasets, and by investing in them we are ensuring that our understanding of environmental change, and our ability to respond to it, continue to improve.

Driving innovation

In 2014 we launched our £5m, five-year Environmental Risks to Infrastructure Innovation Programme. This will invest in projects that translate existing science into practical solutions to make UK infrastructure more resilient to environmental risks. In doing so, it will build collaboration between scientists and infrastructure owners and operators, consultancies, insurers, regulators and NGOs. Partners include Atkins, Arup, EDF Energy, National Grid and the Environment Agency.

NERC has also joined a new partnership to encourage innovative regulation to ensure any exploitation of UK shale gas and oil is done safely and sustainably. NERC will contribute £250k to a £2m fund led by Innovate UK.

The Sustainable Agriculture Research & Innovation Club, run jointly by NERC and BBSRC together with industry, awarded five research translation projects worth a total of £1.3m to address challenges to the efficiency, productivity, resilience and sustainability of UK farming.

Celebrating NERC's first 50 years

As the year of NERC's 50th anniversary, 2015 is a welcome opportunity to celebrate the excellent science and far-reaching impact achieved by publicly-funded UK scientists. We will be showcasing our world-class research and its central importance to creating a prosperous future for the UK with a year-long programme of events, which began with our inaugural Impact Awards in January.

There were prizes in four categories – economic, societal, early-career and international, with one overall winner. The international and overall impact award went to Professor John Pyle and Dr Neil Harris of the University of Cambridge for their work on how man-made gases affect the ozone layer – work which helped strengthen the Montreal Protocol, widely regarded as one of the most successful international environmental agreements in history. They plan to use their £40,000 prize money to ensure fundamental research into atmospheric chemistry continues to influence policy.

Their success is just one example of how NERC science has benefits both for the UK and worldwide – pushing back the boundaries of our scientific understanding, keeping the UK at the forefront of environmental research and innovation, and safeguarding lives and livelihoods. It also shows the importance of strategic investment in research over long periods – it can take many years for these benefits to become apparent.

Professor Duncan Wingham
Chief Executive
30 June 2015

Sir Anthony Cleaver
Chairman

Strategic Report

NERC regularly monitors, evaluates and reports on progress against delivery of our strategy, to inform our decision-making and to demonstrate that we are effectively and efficiently investing public funds to make economic, political and social contributions both in the UK and internationally.

Our planning and performance documents can be found at www.nerc.ac.uk/about/perform/reporting/reports

Developments during the year

Our Delivery Plan for 2011-2015 set out the activities we needed to carry out to delivery our strategic priorities over the spending review period. We have made good progress in completing many activities and addressing the priorities in five key areas to deliver our strategy.

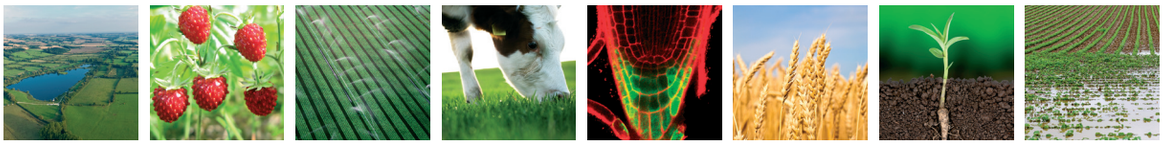
Delivery Plan Action 1:
Increase focus on strategic research

NERC has increased the share of its budget allocated to top priority strategic research programmes that address the critical environmental issues facing the UK economy and society. NERC's new funding mechanisms to reflect this new focus on strategic research are now fully implemented. In October 2014 our Strategic Programme Advisory Group (SPAG) considered 150 community ideas and recommended the strongest to our Strategic Science and Innovation Strategy Board (SISB), which agreed the first five 'highlight topics' – eDNA, natural capital systems, freshwater ecosystems, nanomaterials and anomalous trends in global temperature. The first of our 'strategic programme areas' – major activities intended to address large-scale, complex and logistically challenging research areas that will require collaborative effort across the environmental science community – has been prioritised for development into a programme proposal.

Some recent science highlights include:

- Improved understanding of the controls on the melt rate of the Pine Island Glacier. Work carried out through the iSTAR programme shows that ice shelf thinning is sensitive to sporadic climatic variability. Published in Science.
- It is now possible to predict locust outbreaks in Malawi a year in advance thanks to data from new weather and lake monitoring equipment purchased through the Attaining Sustainable Services from Ecosystems through Trade-off Scenarios (ASSETS) programme. This enables preventative measures to secure food supplies.

- NERC is working with partners to fund three new initiatives aimed at improving our understanding of soils: SARISA (Soil and Rhizosphere Inter-actions for Sustainable Agri-ecosystems), the Soils Centre for Doctoral Training (CDT) and the Soil Security programme.
- The National Ecosystem Assessment Follow-on Report has been published. This contains a new check tool to help understand the relationship between 'natural capital' and the wider economy. It results from collaboration between the Arts and Humanities Research Council (AHRC), Defra, the Economic and Social Research Council (ESRC), NERC and Welsh Government. NERC has also supported a public dialogue on the report with Sciencewise, investigating public perceptions of ecosystem services.
- Two new UK instruments have flown for the first time on NASA's unmanned Global Hawk aircraft to measure the tropical tropopause layer (critical for understanding global radiation and energy budgets) in the south Pacific.



SARIC • SUSTAINABLE AGRICULTURE RESEARCH & INNOVATION CLUB

Delivery Plan Action 2:
Increase economic and societal impact

NERC has strengthened its engagement with businesses and policymakers in key economic sectors. Recent developments include the development and launch of NERC Innovation Programmes:

- Sustainable Agriculture Research and Innovation Club (SARIC) in partnership with BBSRC – funding projects to enable better management of crop disease, minimise plant nutrient loss and set up a knowledge exchange system between UK growers.
- Environmental Risks to Infrastructure Innovation Programme (ERIIP) – committing £5m over five years to work on challenges and issues facing UK infrastructure, involving key industry and regulatory players.

NERC is also co-funding several Collaborative Research and Development and Feasibility Study calls with Innovate UK:

- To use environmental data to solve urban challenges.
- To encourage innovative shale gas regulation in the areas of emissions monitoring, non-intrusive geophysical techniques and sensors to detect methane leaks.
- To invest in cleaner, more efficient fossil fuels focusing on decommissioning techniques, subsea technologies, maximising recovery and CO_2 storage.

The Impact Report 2014 details our key achievements in generating social, economic and environmental impact from NERC science. Some highlights include:

- Directly supporting sustainable growth of Scottish fish farming – near real-time monitoring of algal blooms from satellite data provides early warning to fish-farmers, allowing them to protect their stock.
- UK Climate Projections 2009, developed in collaboration with the Met Office. These provide a cross-government information service which has been used extensively by the water industry to plan future infrastructure that is resilient to climate change.
- NERC data and an understanding of future weather and climate showed that the existing Thames Barrier can continue protecting London until 2070, avoiding billions of pounds in premature replacement costs.
- Better flood forecasting and earlier warnings, facilitated by NERC science, meant that more properties were protected and fewer were flooded in the winter 2013-14 floods, even though they were more severe than the 2007 floods.
- The Rural Economy and Land Use programme (with BBSRC and ESRC) led to smarter regulation and reduced barriers to commercialisation for innovative biopesticides, and encouraged large food retailers (such as M&S) to revise their pesticides strategies.

Delivery Plan Action 3:
Attract and retain top talent for the UK

NERC has demonstrated its commitment to strengthen postgraduate training opportunities in environmental science by addressing strategic skills needs in industry and developing multidisciplinary doctoral clusters of excellence.

- Following open competition, NERC awarded a new CDT to a consortium of four leading universities, led by Cranfield, in Data, Risk and Environmental Analytical Methods (DREAM).
- NERC has also announced the latest CDT in the use of smart and autonomous observation for the environmental sciences.
- There was also considerable interest and a large number of high quality applications for the third Advanced Training short course competition in 2015, allowing NERC to build on the successes and expand the range of existing courses.

Delivery Plan Action 4:
Transform national capability

NERC has transformed its funding of National Capability to maintain the critical mass necessary to deliver strategic and responsive research, provide community access and respond to national emergencies and by prioritising its activities and infrastructure to ensure long-term sustainability.

- The project to build a new polar research vessel continues to make good progress. There has been a successful consultation on the science requirements for the new ship.
- Construction of the new Lyell Centre, a new innovation hub for oil and gas research in collaboration between Heriot Watt University and BGS, is progressing on time and on budget.
- Construction of NOC's Marine Autonomous Robotics Systems Innovation Centre (MARSIC) was scheduled to end in March 2015. The first tranche of private sector tenants is currently under negotiation.

Delivery Plan Action 5:
Increase resources to front-line science

Over the Delivery Plan period 2011-2015 NERC has driven efficiency savings (further details in scorecard reports) by working with RCUK, the Funding Councils and universities to integrate corporate services (eg estates), move to receiving fewer, stronger grant applications, make peer-review processes more efficient, deliver funding through larger investments and implement the recommendations in Sir William Wakeham's report *Financial Sustainability and Efficiency in Full Economic Costing of Research in UK Higher Education Institutions* for efficiency of research and facilities.

Communications

With the creation of a new corporate affairs directorate, NERC has restructured its communications team to reflect strategic priorities. These include defining and communicating NERC's identity as the driving force of investment in UK environmental science, demonstrating the impact and value of that science to the economy and society, engaging corporate stakeholders and NERC employees, and building NERC's advocacy base.

We engage with stakeholders, such as policymakers, researchers, research users, the media and the public,

through a variety of social media channels, including Twitter, Facebook, LinkedIn, Pinterest, YouTube and Scoop.it. Our Twitter accounts now has more than 21,500 unique followers (up from 13,000 last year). Facebook interest has grown steadily in the last year, with an 11 per cent increase in likes, to c3,700.

Planet Earth magazine continues to be a popular channel for making our science accessible to a broad, non-specialist audience.

We are successful in placing NERC science news into media outlets through media releases, exclusives and through Twitter. Key NERC stories were reported widely across the media in the UK and overseas this year.

We continue to feature on broadcast media, with NERC researchers appearing on numerous channels and programmes.

Our Engaging the Public with Your Research course for NERC-funded scientists has frequently been oversubscribed despite the extra courses on offer, and we continued to support public engagement this year across the usual breadth of activity types and audiences.

External funding

Funding from outside NERC meets the costs of commissioned and co-funded research carried out by NERC's centres for government departments, other public bodies, industry, the European Commission and international and overseas organisations. This is a significant funding stream for many of NERC's centres and an important means of transferring knowledge to users. Total external funding for 2014-15 was £68.7 million.

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 RCUK published Efficiency 2011-15: Ensuring Excellence with Impact describing how the research councils would implement the recommendations in the Wakeham report. 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; details are provided in the programme's annual report at www.rcuk.ac.uk/RCUK prod/assets/documents/documents/RCUK_Efficiency_Savings_Report_2013-14.pdf

The programme remains 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 2015-16.

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.

Sustainability report

Overview and Summary of Performance

The Natural Environment Research Council (NERC) is the UK's main agency for funding research into environmental science. NERC works across the globe, operates in many diverse locations and runs the UK fleet of research ships and aircraft. It also operates a number of UK research centres and has operational bases in Antarctica and the Arctic. As well as doing important science, we work hard to minimise the impact of our activities on the environment.

The total UK carbon emissions for scopes 1, 2 and 3 (see table below) rose from 12,701 tonnes carbon dioxide equivalents (tCO2e) in 2013-14 to 13,091 tCO2e in 2014-15, a 3.1% increase. This increase is due to changes in the conversion factors we are obliged to use. The greenhouse gas (GHG) emissions from energy usage in our UK buildings (equivalent to scopes 1 and 2) under the Carbon Reduction Commitment Energy Efficiency Scheme (CRC), which use a different conversion factor, have shown a 5.5% reduction from 12,654 tCO2e in 2013-14 to 11,957 tCO2e in 2014-15.

In the last year NERC has been awarded the Carbon Trust Standard (CTS) for a further two year period since first achieving it in 2010. To obtain the CTS NERC had to show an overall reduction in our carbon footprint and improvement in our environmental performance. NERC achieved a 6.1% absolute reduction in the two years to 2013/14 compared to the previous two years.

Against the Greening Government Commitments (GGC), NERC exceeded the targets for reduction in domestic flights and water consumption and narrowly failed to meet the 25% target for reduction in GHC emissions. However, total waste generated showed an overall reduction of 3% against the target of 25%. Unfortunately the total waste generated measure is dependent on the level of activity and is significantly affected by construction projects or closure/alterations of sites, when much waste may be generated on a one-off basis. However, NERC has reduced the absolute quantity of waste going to landfill every year over the last four years and increased the ratio of waste being recycled to waste going to landfill from 1:1 in 2011-12 to 3:1 in 2014-15.

NERC continues to invest in new buildings and technology to improve energy usage which has made a significant contribution to our improvements. Recent examples include: installation of new boilers, installation

Area		2014-15	2013-14
Greenhouse gas emissions (scopes 1, 2 and 3) (tCO2e)[1]		13,094	12,701
Energy	Consumption (in million kWh)	33.8	35.4
	Expenditure (£m)	2.4	2.4
Travel	Expenditure UK business travel (£m)	2.1	2.3
Waste	Generation (tonnes)	579	603
	Expenditure (£k)	287	234
Water [2]	Consumption - whole estate (m^3)	43,888	47,152
	Expenditure (£k)	137	146

Notes
1 Greenhouse gas emissions include direct (scope 1 – mainly from gas) and indirect (scope 2 – mainly from electricity) emissions from UK buildings and business related transport (scope 3). Emissions from ships, airplanes and overseas travel are not included.
Emission figures for 2013-14 previously included overseas travel and have been restated accordingly.
2 Consists of water consumption for the whole UK – predominantly specialist non-office - estate.

of solar photovoltaic cells, a Combined Heat and Power unit, free air cooling of computer service rooms and changing over to LED lighting.

A heating degree day comparison shows last year as being slightly warmer than 2013-14.

Against the targets set by the Greening Government Commitments over a four year period to 2014-15, NERC has:

- Realised a 23 per cent reduction in greenhouse gas emissions from UK operations
- Reduced waste for UK operations by 3 per cent
- Reduced water consumption for whole UK estate by 22 per cent
- Realised a 35 per cent reduction in domestic flights.

Grants, fellowships and studentships

We continue to monitor the success rates of grant and fellowship applications to ensure fairness. Trend data have shown that the proportion of women applying for research grants, and their subsequent success rate, remain relatively constant. As the tables show, grant and fellowship applications from women broadly succeed at the same rate as those from men – in other words, NERC grant processes appear to treat women and men equally fairly.

Although there are yearly fluctuations, on average 50 per cent of studentships are awarded to females. 48 per cent of current PhD students are female.

NERC continues to offer unconscious bias training to our award-holders and to our own staff. We will continue to review the overall effectiveness of our approaches to funding.

Success rates for fellowships by gender

	Male	Female
Number of proposals	116	59
Number of fellowships awarded	8	6
% success rate	7%	10%

Success rates for grants by gender

	Male	Female
Number of proposals	1,192	294
Number of grants	272	68
% success rate	23%	23%

Discovery science grant proposals and success rates

	2013-14	2014-15
Number of proposals	937	1,064
Number of grants	172	141
Total £k	54,875	46,559
% success rate	18%	13%

Staff, students and fellows

	2013-14	2014-15
Directly employed staff	2,444	2,489
Staff in research organisations[1]	2,747	2,768
Fellows	87	86
PhD[2]	1,012	1,063

Directly employed staff by gender as at 31 March 2015

	Male	Female
Directly employed staff	1,500	989
%	60%	40%

1 Headcount of all academic and research staff named on research grants that were active at the end of the financial year.

2 PhD data is based on number of students directly funded by NERC. These do not include co-funded studentships where another funder administers the award. PhD data are recast annually to include studentships that had not previously been entered into the system, by award holders, at the time of publication. The figures for 2014-15 are higher than previous years; this reflects the increased numbers of co-funded studentships following the adoption of the Doctoral Training Partnership and Centre for Doctoral Training models for delivering postgraduate training.

Statutory basis of financial statements

NERC's statutory financial statements have been prepared using accruals accounting in accordance with the UK Government's Financial Reporting Manual (FReM) for 2014-15 and the accounts direction issued by the Secretary of State. The 2014 Triennial Review of the Research Councils confirmed that the current 7 Research Councils should continue to exist in their current format. The financial statements have thus been prepared on a going-concern basis.

Financial summary

NERC concludes the accounting period with a balanced financial position, within 0.1% of available budget, for near cash and capital. There is a non-cash surplus of £4.5m. A comparison with the previous accounting period is shown in Table 1.

Reconciliation between NERC's outturn with its annual accounts for 2014-15 is shown in Table 2.

Table 1: NERC outturn 2014-15 and 2013-14 comparison

	2014-15 £000	2013-14 £000
Science budget	390,758	408,858
Other BIS funding	6,146	6,017
Earned income	68,735	66,992
Total funding	465,639	481,867
Expenditure	461,428	476,770
Surplus	4,211	5,097
(Deficit)/surplus excluding non-cash	(310)	236
Variance (%)	0.9%	1.1%
Variance (%) excluding non-cash	-0.1%	0.0%

Table 2: NERC outturn and annual accounts reconciliation 2014-15

	Resource £000	Capital £000	Total £000
Net expenditure[1]	365,149		365,149
AME changes [2]	(581)		(581)
Other BIS funding[3]	(6,146)		(6,146)
Capital grants	(16,306)	16,306	0
Capital[4]		29,021	29,021
Capital income	510	(510)	0
Net profit on NBV and revaluation reserve disposals[5]		(896)	(896)
Outturn	342,626	43,921	386,547
Science budget	347,058	43,700	390,758
Reported surplus[6]	4,432	(221)	4,211

Notes
1 Taken from the statement of net expenditure for the year ended 31 March 2015.
2 Provision utilisation, movements, unwinding of discount and change in discount factor score as AME and are outside the scope of DEL as are price movements in investments; figures taken from note 8 Other operating costs (allowance for trade receivables), note 9(c) Investments and note 14 Provisions.
3 Taken from note 3 Grant-in-aid and other BIS funding.
4 Taken from note 9(a) Property, plant and equipment, note 9(b) Assets Under the Course of Construction and note 10 Intangible Fixed Assets - Additions.
5 In accordance with Financial Reporting Manual.
6 Resource surplus of £4,432k comprises of £89k near cash deficit and £4,521k non-cash surplus.

Science budget expenditure in research organisations £000

	UK Region	Country
Aberystwyth University	Wales	Wales
Analytical Chemistry Trust Fund	London	England
Bangladesh Uni of Engineering and Tech	Overseas	Overseas
Bangor University	Wales	Wales
BC3 Basque Centre for Climate Change	Overseas	Overseas
Biotechnology & Biological Sciences Research Council	SouthWest	England
Birkbeck College	London	England
Bournemouth University	SouthWest	England
Brunel University London	London	England
BTO Services Ltd (British Trust For Ornithology)	East	England
Cardiff University	Wales	Wales
CEFAS - Centre for Environment, Fisheries & Aquaculture Science	East	England
Conservation International Foundation	Overseas	Overseas
Consorcio para el Desarrollo Sostenible de la Ecorregión Andina -CONDESAN	Overseas	Overseas
Council for Scientific and Industrial Research (CSIR)	Overseas	Overseas
Cranfield University	East	England
Daphne Jackson Trust	SouthEast	England
DECC	London	England
DEFRA	London	England
Diamond Light Source Ltd	SouthEast	England
East China Normal University	Overseas	Overseas
Economic & Social Research Council	SouthWest	England
Edinburgh Napier University	Scotland	Scotland
Engineering & Physical Sciences Research Council	SouthWest	England
Falmouth University	SouthWest	England
Fundacion Natura Bolivia	Overseas	Overseas
Geological Survey of Ethiopia	Overseas	Overseas
Harper Adams University College	WestMidlands	England
Hawassa University	Overseas	Overseas
Heriot-Watt University	Scotland	Scotland
HR Wallingford Ltd	SouthEast	England
Imperial College London	London	England
Innovate UK	SouthWest	England
Institute of Development Studies	SouthEast	England
International Center for Tropical Agriculture	Overseas	Overseas
International Food Policy Research Institute	Overseas	Overseas
International Institute For Environment And Development	London	England
International Livestock Research Institute	Overseas	Overseas
International Water Management Institute	Overseas	Overseas
Keele University	Midlands	England
King's College London	London	England
Laboratory of Radioisotopes	Overseas	Overseas
Lancaster University	NorthWest	England
Lilongwe University of Agriculture and Natural Resources (LUANAR)	Overseas	Overseas
Liverpool School of Tropical Medicine	NorthWest	England
London School of Economics and Political Science	London	England
London School of Hygiene & Tropical Medicine	London	England
Loughborough University	EastMidlands	England
Manchester Metropolitan University	NorthWest	England

	Discovery Science		Innovation			Post-graduate Training	Research Contracts	Strategic Research			Grand Total
	Fellowships	Grants	Fellowships	Grants	Training			Fellowships	Grants	Training	
		383				41			249		673
							2				2
									184		184
		716				258			952		1,925
									85		85
							2,321				2,321
		109				23			5		137
					20	21			75		115
		53			21	26					100
									51		51
	1	881			14	222			613	19	1,750
									659		659
									260		260
									86		86
							1		41		42
			18	93	49	191		17	829	20	1,217
							95				95
							400				400
							242				242
							70		13		84
									1		1
						107	69				176
						21			84		104
							3,563				3,563
									49		49
									176		176
									5		5
			17						27		44
									67		67
	102	53	43	79		406			253		937
									116		116
	471	1,486	38	49	214	796	-151		1,489		4,392
							1,782				1,782
									299		299
									209		209
									108		108
									184		184
									136		136
							10		151		160
						21			94		115
		104	1	3		228			619		955
									68		68
		669		128	96	525	122		2,274	33	3,848
									28		28
	137										137
				42		106	11		242		400
		24				23		43	114		203
		287		65		41			410	20	822
				7		21					28

Science budget expenditure in research organisations £000 cont.

	UK Region	Country
Marine Biological Association	SouthWest	England
Medical Research Council	London	England
Met Office	SouthWest	England
MetaMeta	Overseas	Overseas
NASA	Overseas	Overseas
National Museums of Scotland	Scotland	Scotland
Natural History Museum	London	England
Nature Conservation Research Centre	Overseas	Overseas
North Wyke Research	East	England
Northumbria University	NorthEast	England
Overseas Development Institute	Overseas	Overseas
Oxford Brookes University	SouthEast	England
Plymouth Marine Laboratory clg	SouthWest	England
Queen Mary University of London	London	England
Queen's University Belfast	Northern Ireland	Northern Ireland
Roehampton University	London	England
Rothamsted Research	East	England
Royal Botanic Garden Edinburgh	Scotland	Scotland
Royal Botanic Gardens Kew	London	England
Royal Holloway, University of London	London	England
Royal Veterinary College	London	England
RSPB (Royal Society For The Protection Of Birds)	East	England
Science & Technology Facilities Council	SouthWest	England
Scottish Universities Environment Research Centre	Scotland	Scotland
Sir Alister Hardy Foundation For Ocean Science (Sahfos)	SouthWest	England
Skat Foundation	Overseas	Overseas
Smith Institute	SouthEast	England
Southern Agricultural Research Institute (SARI)	Overseas	Overseas
SRUC	Scotland	Scotland
St George's University of London	London	England
Stockholm University	Overseas	Overseas
Swansea University	Wales	Wales
The Carbon Foundation of East Africa (CAFEA)	Overseas	Overseas
The James Hutton Institute	Scotland	Scotland
The Open University	SouthEast	England
The Royal Society	London	England
The Scottish Association for Marine Science (SAMS)	Scotland	Scotland
The University of Manchester	NorthWest	England
UK Astronomy Technology Centre	Scotland	Scotland
Universita di Milano-Bicocca	Overseas	Overseas
University College London	London	England
University of Aberdeen	Scotland	Scotland
University of Abertay Dundee GRANT	Scotland	Scotland
University of Bath	SouthWest	England
University of Birmingham	Midlands	England
University of Brighton	SouthEast	England
University of Bristol	SouthWest	England
University of Cambridge	East	England
University of Cape Town	Overseas	Overseas

	Discovery Science		Innovation			Post-graduate Training	Research Contracts	Strategic Research			Grand Total
	Fellowships	Grants	Fellowships	Grants	Training			Fellowships	Grants	Training	
	69	111					2		348		530
							600				600
							894		99		994
									44		44
							456				456
		78									78
	63	465				88			458		1,074
									227		227
		45		80					85		210
		57				21			7		85
									168		168
		26									26
		300				129	930		2,454	50	3,863
		441			67	136	60		579		1,283
	36	8							216		260
		51							10		61
		5							-10		-5
		65				23			10		98
						45			97		142
	5	364			33	228			304		935
		140				23					163
									6		6
							5,548		417		5,966
		30		24		21	4		600		680
		9	36						421		466
							49				49
							193				193
									52		52
				18					54		72
									122		122
									408		408
	1	501	17	1		197			173		891
									24		24
							55		157		212
	288	635				160			29	16	1,128
							50				50
		453	54	56		312	190	18	874		1,956
	192	2,548	17	14	122	803	10		2,145	3	5,854
									111		111
									74		74
	472	1,918	26	197	164	769	524	59	1,440		5,571
	83	764	30	98	15	412			1,355		2,758
		13									13
		335				51			181	16	583
	187	1,159		32	60	640	-43		748	49	2,833
		35	31			41					108
	704	3,912	26	284	266	1,307	3		1,782	65	8,350
	266	2,287		54	41	992	40	79	1,339	21	5,119
							9				9

Science budget expenditure in research organisations £000 cont.

	UK Region	Country
University of Central Asia	Overseas	Overseas
University of Dundee	Scotland	Scotland
University of Durham	NorthEast	England
University of East Anglia	East	England
University of Edinburgh	Scotland	Scotland
University of Essex	East	England
University of Exeter	SouthWest	England
University of Glamorgan	Wales	Wales
University of Glasgow	Scotland	Scotland
University of Greenwich GRANT	London	England
University of Hertfordshire	East	England
University of Hull	Yorkshire	England
University of Kent	SouthEast	England
University of Leeds	Yorkshire	England
University of Leicester	EastMidlands	England
University of Lincoln	EastMidlands	England
University of Liverpool	NorthWest	England
University of Malawi	Overseas	Overseas
University of Newcastle Upon Tyne	NorthEast	England
University of Nottingham	EastMidlands	England
University of Oxford	SouthEast	England
University of Plymouth	SouthWest	England
University of Portsmouth	SouthEast	England
University of Reading	SouthEast	England
University of Salford	NorthWest	England
University of Sheffield	Yorkshire	England
University of Southampton	SouthEast	England
University of St Andrews	Scotland	Scotland
University of Stirling	Scotland	Scotland
University of Strathclyde	Scotland	Scotland
University of Surrey	SouthEast	England
University of Sussex	SouthEast	England
University of the Highlands and Islands	Scotland	Scotland
University of the West of England	SouthWest	England
University of the West of Scotland	Scotland	Scotland
University of Ulster	Northern Ireland	Northern Ireland
University of Warwick	Midlands	England
University of York	Yorkshire	England
Wageningen University	Overseas	Overseas
Weber State University	Overseas	Overseas
World Agroforestry Centre	Overseas	Overseas
Zoological Society of London	London	England
Grand total		

In addition to the above table, NERC Institutes have funded additional research awards and contracts totalling £14.707m.

All entries and totals show the amount awarded rounded to the nearest £k.

	Discovery Science		Innovation			Post-graduate Training	Research Contracts	Strategic Research			Grand Total
	Fellowships	Grants	Fellowships	Grants	Training			Fellowships	Grants	Training	
									76		76
		91				1	163		439	10	704
	199	1,492		120		545	-9		1,122		3,468
	231	1,892		8	38	1,007	39		1,431	87	4,734
	511	2,281	35	208	50	1,179	1,400	21	2,319	30	8,036
		193		1	1	140			291	21	647
	189	2,649	50	115	29	439			2,592		6,064
									23		23
	106	285		54	16	255		40	53	21	830
				43							43
				77		21			510		608
	118	540				27			282		967
	78				16	20			75		189
	534	3,892	130	54	91	1,417	7,973		1,858		15,950
	2	564	54	93	0.00	249	2,525	23	607	25	4,142
	-7					21					14
	5	2,134		115		375	49		549		3,227
									84		84
	110	609	19		48	299			838		1,922
		668		39		61	-4		135		899
	329	2,897		90	157	1,389	395		2,781	36	8,075
		590	10			164			633		1,397
		135	11		15	41	45		120		366
	314	1,692	42	47	15	975	1,364		2,750		7,199
						21	35		50		106
	275	1,579	9	0.00	57	741	98	61	1,325		4,144
	244	2,064		134		790	-4		2,813	82	6,123
	246	1,315		73		263	14		694		2,604
	68	274		65	15	79			165		666
	92	54	15			135			77	19	392
									146	19	165
		115		33	18	103			198		467
			8	32							40
				40		14			354		408
									30		30
		9		26					58		93
	117	783			15	188	20	55	53		1,232
		1,212	12	24	42	359	361		1,022	63	3,094
									91		91
									31		31
									35		35
		92				82			109		283
	6,840	**51,620**	**750**	**2,816**	**1,803**	**20,876**	**32,578**	**416**	**55,731**	**726**	**174,156**

Grants awarded in 2014-15

	Research Grants							
	Discovery Science				Strategic Research		Innovation	
	Standard Grants		Large Grants					
	No.	£000	No.	£000	No.	£000	No.	£000
Aberystwyth University			1	725				
Bangor University	2	493			3	695		
Birkbeck College	1	52						
Bournemouth University							1	97
Cardiff University	1	326			5	1,256		
Centre for Environment, Fisheries & Aquaculture Science (CEFAS)					1	249		
Cranfield University					3	921	3	182
Diamond Light Source					1	195		
Durham University	2	401			2	677	2	69
Harper Adams University								
Heriot-Watt University							3	175
Imperial College London	4	1,438			3	925	2	166
John Innes Centre	1	342						
Keele University	1	351						
King's College London					2	354	1	20
Lancaster University					3	1,043	2	345
London School of Economics & Political Science							1	125
Loughborough University							1	65
Manchester Metropolitan University								
Met Office					1	891		
National Oceanography Centre	2	733	1	207	6	1,997	6	846
Natural History Museum, The	4	1,317			1	43		
NERC British Antarctic Survey	2	392	1	2,479	1	40		
NERC British Geological Survey	1	51	1	486			5	249
NERC Centre for Ecology & Hydrology	4	1,018			7	2,589		
Newcastle University					1	594		
Open University					2	354		
Overseas Development Institute ODI					1	170		
Oxford Brookes University	1	311						
Plymouth Marine Laboratory	2	585			1	83		
Queen Mary, University of London	1	57						
Queen's University of Belfast	1	79			1	325		
Roehampton University					1	38		
Rothamsted Research	1	203			1	195	2	474
Royal Botanic Gardens Edinburgh					1	41		
Royal Botanic Gardens Kew					2	288		
Royal Holloway, University of London	2	467			1	40		
Sir Alister Hardy Foundation for Ocean Science (SAHFOS)					1	20		
Scottish Association for Marine Science					1	40	1	56
Scotland's Rural College (SRUC)					1	31	1	35
STFC - Laboratories								

	Fellowships						Research Studentships			
	Discovery Science		Strategic Research		Innovation		Responsive		Strategic Research	
	Independent Research Fellowships		Strategic Research Fellowships		KE Fellows		Doctoral Training Grants		Doctoral Training Grants	
	No.	£000	No.	£000	No.	£000	No.	£000	No.	£000
									2	129
					2	288			4	278
							1	1,062	2	55
					1	104				
					1	216			1	1,268
	3	1,561					1	1,580	1	92
									1	24
									2	160
					1	71	1	1,097	3	145
									1	62
					1	56				
									2	102
	1	429							7	167
	1	586								
					2	234			3	128
					1	114			3	251
									2	115
									1	23
									1	45
									1	27
					2	238			2	142

Grants awarded in 2014-15 cont.

	Research Grants							
	Discovery Science				Strategic Research		Innovation	
	Standard Grants		Large Grants					
	No.	£000	No.	£000	No.	£000	No.	£000
Swansea University								
University College London	7	2,540	1	159	2	2,490	5	184
University of Aberdeen	3	1,343			5	1,481	1	93
University of Bath	1	181						
University of Birmingham	2	382			3	834	2	194
University of Brighton								
University of Bristol	7	2,461	1	584	2	1,293	3	329
University of Cambridge	6	1,636	1	120	3	243	1	54
University of East Anglia	4	1,452			5	1,212	2	89
University of Edinburgh	4	1,672	1	696	3	604	5	516
University of Essex					1	475	1	11
University of Exeter	3	1,331	2	786	7	2,427	3	271
University of Glamorgan					1	138		
University of Glasgow								
University of Greenwich							1	44
University of Hertfordshire							1	73
University of Hull					1	634		
University of Leeds	4	1,365	2	681	9	3,191	3	214
University of Leicester	3	325					3	181
University of Liverpool	3	748	1	1,136	2	571	2	118
University of Manchester	6	2,330	1	606	4	1,676	1	75
University of Nottingham			1	614			1	40
University of Oxford	5	1,288	2	914	9	4,522	2	182
University of Plymouth	2	628			1	281		
University of Portsmouth								
University of Reading	4	1,081	1	400	8	3,472	1	146
University of Sheffield	2	681			3	958	1	12
University of Southampton	2	384	1	282	3	180	3	212
University of St Andrews	4	1,253						
University of Stirling					1	37	1	65
University of Strathclyde	1	433						
University of Surrey					1	191		
University of Sussex	1	408						
University of the West of England					2	306	1	40
University of Ulster							1	154
University of Warwick	1	356			2	692		
University of York	6	2,035			2	748	2	195
Zoological Society of London	1	279						
Grand total	**115**	**35,210**	**19**	**10,875**	**134**	**42,747**	**78**	**6,400**

	Fellowships						Research Studentships			
	Discovery Science		Strategic Research		Innovation		Responsive		Strategic Research	
	Independent Research Fellowships		Strategic Research Fellowships		KE Fellows		Doctoral Training Grants		Doctoral Training Grants	
	No.	£000	No.	£000	No.	£000	No.	£000	No.	£000
									1	84
							1	2,317	3	128
									1	84
									1	84
							1	1,153	3	151
					1	50				
	4	1,749			1	155	1	2,555	3	215
							1	1,402	2	45
	1	457					1	1,163	1	84
	1	507	1	432			1	1,638	1	84
									1	16
									4	334
			1	407					1	73
	2	966			1	58	1	1,348	4	256
					3	368			1	84
									1	32
							1	1,131		
	3	1,603					1	2,136	5	227
									2	167
	2	917					1	1,091	6	370
							1	1,245		
							1	1,315	1	23
	1	570							1	32
	1	463							1	25
					1	15			1	50
			1	559						
					1	143			2	167
	20	**9,805**	**3**	**1,398**	**19**	**2,112**	**15**	**22,234**	**86**	**6,021**

How we spent the science budget (£000)*

Strategic Research	
Aerosols & Clouds	386
African Groundwater (UpGro)	333
Air Pollution and Health in a Developing World Megacity	24
Algal Bioenergy Network	87
Analytical Science & Technology PhD Studentships	263
Arctic Programme	3,060
Biodiversity & Ecosystem Service Sustainability	3,765
Carbon Capture & Storage	70
Changing Water Cycle	1,963
Coastal Sediment Systems	777
Drivers of Variability in Atmospheric Circulation	153
Earth System Modelling Strategy implementation	954
Ecosystem Services for Poverty Alleviation (ESPA)	2,813
Environmental & Social Ecology of Human Infectious Diseases (ESEI)	586
Environmental Exposure & Health Initiative (EEHI)	241
Environmental Nanotechnology	377
Flooding from Intense Rainfall	1,169
Greenhouse Gas Emissions & Feedbacks	2,245
Human Modified Tropical Forests	2,276
Ice Sheet Stability	1,383
Increasing Resilience to Natural Hazards in Earthquake-prone & Volcanic Regions	1,219
Insect Pollinators Initiative	153
Joint Weather & Climate Research Programme	145
Long Term Co-evolution of Life & the Planet	386
Macronutrient Cycles	2,808
Marine Ecosystems	899
Marine Renewable Energy	655
Mathematics and Informatics for 'omics	422
Mineral Resources	307
Minor Initiatives	221
Networks of Sensors	65
Sustaining water resource for food energy and ecosystem services	30
Sustainable Gas Futures	30
Next Generation unmanned aerial vehicles	1,461
Next Generation Weather & Climate Prediction	897
Ocean Acidification	320
Ocean Shelf-Edge Exchange	724
Probability, Uncertainty & Risk in the Environment	1,330
Radioactivity & the Environment	1,450
RAPID-AMOC (Atlantic Meridional Overturning Circulation)	261
RAPIDWATCH	799
Resource Recovery from Waste	851
Shelf Sea Biogeochemistry	4,100
Soil Security	366
South Asian Monsoon	370
Storm Risk Mitigation through Improved Prediction & Impact Modelling	191
Technology Proof of Concept 2	2,038
Tree Health	470
UK Droughts	1,481
UK Integrated Ocean Drilling Programme	1,433
Understanding & Predicting the Ocean Surface Boundary Layer	509
Valuing Natural Capital in Low Carbon Energy Pathways	69
Valuing Nature	50
Volatiles, Geodynamics and Solid Earth Controls on the Habitable Planet	600
Other Programmes	
Living with Environmental Change	421
UK Environmental Observation Framework (UKEOF)	100
Other Cross-Council Programmes	1,328
Other Research Programme Activities	1,670
NERC Big Data Capital	2,896
NERC Strategic Capital	8,677
Innovation	11,075
Research Centres	
National Centre for Atmospheric Science	11,937
National Centre for Earth Observation	5,016
National Capability – Swindon Office	
High Performance Computing	2,288
International Activities	2,005
IODP Subscription	2,600
Other National Capability Activities	187
Discovery Science	
Antarctic funding iniative	654
Large Grants	9,162
Fellowships	7,127
New Investigator	331
Small Grants	73
Standard Grants	51,859
Urgent Grants	627
Other Discovery Science Funding	1,606
Post Graduate Training	
Studentships	22,085
British Antarctic Survey	
National Capability	35,949
Innovation	759
Administration Costs	800
RRS Ernest Shackleton	*565*
RRS James Clarke Ross	*4,788*
New Polar Research Vessel	*984*
Core Capital	*3,730*

British Geological Survey

National Capability	20,027
Innovation	2,681
Lyell Centre Edinburgh - capital grant	2,000
Administration Costs	872
Capital Income	*-95*
Lyell Centre Edinburgh	*1,897*
Core Capital	*1,659*

Centre for Ecology & Hydrology

National Capability	13,400
Innovation	665
Research Programmes	400
Administration Costs	883
Cosmos Soil Project	*900*
Core Capital	*2,691*
CEH Transition and Integration	492

National Oceanography Centre

National Capability	23,331
Innovation	271
Administration Costs	997
MARS Innovation Centre	*2,650*
MARS SRL and Glider Lab	*715*
Ship Recertification	*1,962*
Core Capital	*5,920*
Capital Income	*-415*

Marine Centres

Marine Biological Association	216
Plymouth Marine Laboratory	3,369
Scottish Association for Marine Science	1,415
Sea Mammal Research Unit	949
Sir Alister Hardy Foundation for Ocean Science	373

Other Infrastructure

Corporate Activities (including Swindon Office)	1,878
Swindon Office Administration Costs	15,568
Shared Services Centre Costs	6,047
Corporate Administration Income	-4,262
Corporate Capital	*560*
Corporate Restructuring	1,058
Private Funding Initiative	-1,594
Depreciation	35,491
Amortisation	252
Impairments	886
Asset Disposals	*-896*

TOTAL NERC EXPENDITURE	386,547
Comprises:	
*Resource ***	*358,932*
Capital	*27,615*

Capital Expenditure in italics

* This table shows how NERC has spent the BIS science allocation. All figures are net of other income received.

** Resource figure differs from the net expenditure for the year by £6,217k, which is broken down as follows:

	£000
Other funding received from BIS (recorded as financing - see Note 3)	6,146
Capital Income	-510
AME change in provisions	581
	6,217

Forward look

This year, 2015-16 will see the outcome of the Governmental Comprehensive Spending Review, which will determine NERC's budget over the next spending review period to 2020.

Publication of the results of Sir Paul Nurse's review of the research councils is also expected in the coming months. This may have implications for the future structure and operations of NERC and its fellow research councils.

NERC is implementing a new process to commission National Capability (NC) from research centres on a rolling basis. This will support the long-term science needed to deliver the NERC strategy, provide resilience to NC delivery partners and enable oversight and evaluation of NC activity to allow more appropriate and flexible balancing of funds. The first phase of commissioning will take place in 2016 and consider the allocation of funds to long-term science across multiple centres.

NERC will continue to consult with the scientific community over the capabilities of the new polar research vessel and its on-board research facilities, and will progress funding arrangements with BIS. The vessel will fulfil the roles of the current UK polar vessels, RRS *James Clark Ross* and RRS *Ernest Shackleton*, and will be operated for NERC by BAS, entering service in autumn 2019.

In December 2014, NERC Council agreed the optimal model for CEH and NOC is to become companies limited by guarantee with charitable status. Then, in the March budget statement, the Chancellor announced a package of freedoms and flexibilities for research institutes to allow them to become increasingly effective, while retaining public sector status.

Work is now underway, in conjunction with the other affected research councils, to examine the detail of the Chancellor's announcement to ensure we continue to meet the aims of the ownership and governance project. NERC's aim continues to be to protect our centres' world-class science, sustaining their long-term funding while providing greater freedom and flexibility, enabling them to diversify their sources of funding and continue to attract renowned scientists.

We are now looking to the future and preparing to meet our coming challenges, focusing on NERC's core purpose as the leading UK commissioner of environmental science and on making our processes as effective and efficient as possible. We also aim to raise the profile of NERC and the excellent science we fund, and of how it makes a difference to our society, economy and lives.

Professor Duncan Wingham
Chief Executive and Accounting Officer
30 June 2015

Directors' report

Statutory disclosures

In accordance with the Companies Act 2006, the following statutory disclosures are presented for the accounting period 2014-15:

Pensions

NERC's pension schemes are discussed in Note 5c to the Annual Accounts.

Directors, governance and risk

Full details of NERC directors, governance and risk are included in the Remuneration Report and Governance Statement within the Annual Accounts. In addition specific details of NERC liquidity risk, interest rate risk and foreign currently risk are disclosed in Note 21 to the Annual Accounts.

Significant interests

Potentially relevant significant interests of NERC's Council members where they are affiliated to other organisations are presented at Table 2 in the Remuneration Report to the main accounts. No issues regarding conflict with their managerial responsibilities have materialised. NERC's Council Secretariat manages a Register of Interests which is available on request.

Overseas operations

NERC itself has no branches outside the UK, although its research centre BAS operates several bases in the Antarctic.

Auditors

NERC's accounts are audited by the Comptroller and Auditor General who has been appointed under statute and is responsible to Parliament. The cost of the audit was £80,000. No remuneration was paid to the external auditors in respect of non-audit work in 2014-15. Internal audit was provided independently by the Audit and Assurance Services Group (AASG). AASG reports annually to the Accounting Officer. The cost of internal audits undertaken during 2014-15 was £163,375. No remuneration was paid to the internal auditors in respect of non-audit work during 2014-15. The Accounting Officer has taken all reasonable steps to ensure that he is aware of any relevant audit information and to ensure that the Council's auditors are aware of that information. As far as the Accounting Officer is aware, there is no relevant audit information of which the Council's auditors are unaware.

Sickness absence

NERC's sickness absence rate was 1.9% (2013-14: 1.7%), equivalent to 4.1 days per full-time employee (2013-14: 3.8 days).

Public Sector Information

NERC has complied with the cost allocation and charging requirements set out in HM Treasury and Public Sector Information guidance, but is exempt from the requirements of The Re-use of Public Sector Information Regulations 2005.

Payment policy

NERC observes the Confederation of British Industry 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% of payments were made within 5 working days (79% 2013-14) and 96% within 30 days (94% 2013-14). In accordance with the guidance of the Statutory Instrument 1997/571, trade creditor days for the period are 27 days (2013-14: 32 days).

People

NERC has implemented major people initiatives in 2014-15. These have included:

- The development of a new pay structure, bringing an end to automatic time-served progression, in line with public sector pay policy.
- The development and implementation of a suite of harmonised cross-council policies which support effective and consistent people management.
- The implementation of a new High Potential Development Scheme called Growing Future Leaders, to ensure that talented people within NERC are supporting in developing their leadership skills.

NERC applies the Research Council Equality & Diversity Policy, and publishes data to enable effective benchmarking. We are committed to the principle of using objective, transparent and non-discriminatory criteria in recruitment and promotion; to making reasonable adjustments for applicants with a disability and to enable existing staff to continue in employment if they develop a disability; and to encouraging all employees to develop to their full potential. We have also rolled out unconscious bias training to NERC staff, promotion panels and peer review panels, and supported NERC research centres in seeking Athena Swan accreditation.

NERC uses a range of approaches to keep staff informed on matters of concern to them, including financial and economic factors affecting the organisation. These include regular staff meetings, ad

hoc briefings, the opportunity to hear from Directors and the Chief Executive, intranet updates, and weekly e-mail bulletins. Staff have the opportunity to share their views and thoughts, particularly through regular employee surveys. Arrangements are also in place for regular consultative meetings with the trade unions representing NERC staff.

Information assurance and security

The government's Security Policy Framework requires departments to submit an annual report to Cabinet Office. NERC has put in place policies and procedures to manage information risk, and reports annually on information security. Raising staff awareness of information security has been a priority during 2014-15, with awareness sessions rolled out for all staff across NERC. Board-level awareness of cyber security risk continues to be raised and regular six-monthly reports are provided to the NERC Audit & Risk Assurance Committee. Information security incident response procedures were also revised and scenario tested during the year. The number of personal data loss incidents is recorded, and in 2014-15 there were no such incidents.

Openness and transparency

NERC is subject to the Freedom of Information Act 2000 and the Environmental Information Regulations 2004, which provide broadly similar access rights to the Act but relate specifically to information about the environment. We continue to work with the other research councils to ensure a consistent approach to open-access legislation on key business activities. During 2014 we answered 66 requests for information specifically under the legislation. The requests covered a broad variety of subjects, from business policy to research outputs. We answered all requests, some of which were complex and wide ranging, within the statutory time limits. An appeal to the Information Commissioner's Office, by a requester challenging the application of an exemption by NERC, was not upheld. Much of our information is readily available without making a specific Freedom of Information Act request. For details see our publication scheme at www.nerc.ac.uk/about/policy/foi/publication

Categories of requests made under the Freedom of Information Act/Environmental Information Regulations in 2014

Research policy and operations	23
Contracts	4
Business policy and operations	32
Research outputs	3
Funding applications	1
Personal information	3

Health and safety

During this year there were 2 reportable events to NERC staff under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) 2013, the same number as in the previous year.

The HSE issued two improvement notices at BGS Keyworth, with which NERC complied in the required timeframe.

There was one RIDDOR reportable event involving a site based cleaning contractor which was reported by the contractor's employer. There was also a recordable lost time accident causing 4 days off work, which would previously have been reportable. This total of four RIDDOR events is equal to the lowest we have achieved in the last 17 years.

The total number of work related accidents and ill health cases reported was 187, an increase from 168 seen in the previous year.

In 2014-15 the top cause of injury or ill health was again 'slips, trips and falls on same level', the second most common was 'cut or stabbed with a sharp object' and the third 'repetitive strain injury'.

There were two occurrences reportable to the Marine Accident Investigation Branch (MAIB) under maritime law, the same as in the previous year.

The number of incidents and near misses (in which no-one was injured) reported was 284, up from 240 in 2013-14. Improved reporting of incidents/near misses is considered a positive indicator and in 2014-15 the ratio of injuries and ill health to incidents and near misses was 1:1.52 compared to 1:1.4 in 2013-14.

There was one serious incident in Antarctica when equipment failure at Halley VI Research Station led to loss of power and heating in external temperatures of -50°C. Although there were no injuries to the 13 staff involved, it had serious safety implications. Power was restored in 19 hours and the main facility was soon re-occupied and run on reduced power.

An independent assurance board was established to review the outcomes of internal investigations. Following review of evidence from BAS, the Assurance Board made the recommendation to allow occupation and over-wintering in the forthcoming Austral winter.

Professor Duncan Wingham
Chief Executive and Accounting Officer
30 June 2015

Accounts

Remuneration Report

Remuneration Policy

The Remuneration Committee is responsible for agreeing the pay of senior staff, i.e. Band 1 and 2 staff (except for the Chief Executive, see below). The committee met once during 2014-15 on 3 July 2014. The Committee members (as constituted at their last meeting) are listed below:-

Sir Anthony Cleaver, Chairman NERC
Prof Paul Curran, Council Member, ARAC Chair
Prof Paul Monks, Council Member
Prof Duncan Wingham, Chief Executive

The Remuneration Committee works in accordance with the public sector policy on senior staff pay in any given year. In 2014-15, this policy stipulated that 90% of senior staff were eligible for a general award of 1% on average and that 25% of senior staff were eligible for a non-consolidated performance bonus, on the basis of the level of performance against objectives as assessed by the individual's manager.

It should be noted that no senior staff are on a service contract.

More information about the remuneration committee can be found at the following website
http://www.nerc.ac.uk/about/organisation/boards/

Employment Contracts

NERC staff are not civil servants but the organisation makes its appointments in accordance with the broad principles set out in the Civil Service Commissioners' Recruitment Code, which requires appointments to be on merit on the basis of fair and open competition but also includes the circumstances when appointments may otherwise be made.

All senior officers covered by this report, apart from the Chief Executive, hold appointments that are open-ended. Staff appointed before 6 April 2006 may retire after age 50 (otherwise 55) and draw their pensions on an actuarially reduced basis. Staff appointed before 30 July 2007 may draw full pensions from age 60 (otherwise 65). Should RCPS introduce the Alpha scheme (see note 5(c) for further details) the scheme pension age for all staff joining the Alpha scheme will be their state pension age.

Staff who leave during a formal redundancy exercise are eligible for compensation terms as defined under the rules of the Research Council's Superannuation Scheme. These payments are in line with those due under the Civil Service Compensation Scheme.

The notice period for all senior employees is three months.

Remuneration of the Chief Executive

Professor Wingham started his tenure on 1 January 2012. His initial contract is for a period of four years. Both the appointment terms and remuneration package are determined by the Department for Business, Innovation & Skills (BIS) with the Senior Review Oversight Committee (SORC) making a decision based on input from the Permanent Secretary and NERC Chair.

Professor Wingham's emoluments, including both taxable and non-taxable benefits, were £141,100 (2013-14: £142,593). This included:

	£
Basic salary	131,300
2013-14 performance pay non-consolidated rewards:	
Annual performance bonus	2,450
RCUK performance bonus	3,150
Appointment term bonus	4,200
Total	**141,100**

Professor Wingham is an ordinary member of the Research Councils' Pension Scheme. A charge of £34,138 (2013-14: £33,800) was also incurred in respect of employer's pension costs. This was assessed as 26% of basic

salary (2013-14: 26%). The Cash Equivalent Transfer Value for Professor Wingham at 31 March 2015 was £143,779 (31 March 2014: £97,191). The real increase in the cash equivalent transfer value for the period was £30,073 (2013-14: £32,897).

NERC Executive Board (NEB)

The NERC Executive Board (NEB) is responsible for:

- Overall corporate management
- Directing the development and implementation of Council's strategies, policies and decisions
- Financial management
- Developing and maintaining corporate information systems
- Ensuring that NERC is managed according to the required standards of accountability, regularity and propriety, achieving high standards of efficiency, effectiveness, economy and health and safety

NEB works with other research councils and other bodies on scientific, operational and administrative matters where there is benefit in doing so.

NEB members are appointed by the Chief Executive.

Table 1: Membership of NEB as at 31 March 2015

Name	Position	Notes
Professor Duncan Wingham	Chief Executive & Accounting Officer	
Professor Mark Bailey	Director, Centre for Ecology & Hydrology	
Professor Jane Francis	Director, British Antarctic Survey	
Professor Ed Hill OBE	Director, National Oceanography Centre	
Professor John Ludden	Director, British Geological Survey	
Mr Nigel Bird	Director, Finance	
Mr Paul Fox	Chief Operating Officer	
Professor Iain Gillespie	Director, Science	
Dr Phil Heads	Associate Director, Strategy and Impact	
Mr Martin Kirke	Interim Director, People & Change Management	Appointed effective 22nd April 2014, will leave in June 2015.
Ms Alison Robinson	Director, Corporate Affairs	Appointed effective 1 July 2014
Mr Nigel Sully	Acting HR Director	Appointed effective 12 January 2015
Professor Stephen Mobbs	Director, National Centre for Atmospheric Science (NCAS)	
Professor John Remedios	Director, National Centre for Earth Observation (NCEO)	Appointed effective 1 October 2014
Mr Richard Gledhill	Non-Executive Director	
Mr Paul Hayden	Non-Executive Director	

With the exception of the Directors of NCAS and NCEO and the Non-Executive Directors, all members of NEB are NERC employees. The Directors of NCAS and NCEO are not directly remunerated by NERC for their work on NEB; however their centres are funded by NERC. Non-Executives Directors receive honoraria of £10,000 p.a.

Membership of NEB by gender as at 31 March 2015

	Male	Female
Number of members	14	2
% of members	88%	12%

Table 2: Remuneration of Senior Employees (2014-15)

Name	Note Ref 1	Pay 2014 - 2015	Bonus 2014 - 2015	Pension benefits 2014 - 2015	Total emoluments 2014 - 2015	Pay 2013 - 2014	Bonus 2013 - 2014	Pension benefits 2013 - 2014	Total emoluments 2013 - 2014	Pension increase in real terms	Accrued pension at 31/03/15	Lump sum at 31/03/15	Lump sum increase in real terms	Cash equivalent transfer value as at 01/04/14	Cash equivalent transfer value as at 31/03/15	Cash equiv. transfer value increase in real terms
		£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Directors serving during 2014-15:																
Professor D Wingham		130 - 135	5 - 10	50	190 - 195	125 - 130	10 - 15	52	190 - 195	2.5 - 5	10 - 15	-	-	97	144	30
Professor M Bailey		90 - 95	5 - 10	20	120 - 125	90 - 95	0 - 5	18	110 - 115	0 - 2.5	40 - 45	120 - 125	2.5 - 5	816	876	19
Professor J Francis		95 - 100	-	36	130 - 135	45 - 50	-	18	65 - 70	0 - 2.5	0 - 5	-	-	16	49	24
Professor E Hill OBE		95 - 100	-	23	120 - 125	95 - 100	5 - 10	(73)	30 - 35	0 - 2.5	40 - 45	125 - 130	2.5 - 5	778	842	18
Professor J Ludden		95 - 100	-	24	120 - 125	95 - 100	0 - 5	21	120 - 125	0 - 2.5	10 - 15	-	-	244	273	22
Mr J Bates	2	10 - 15	-	-8	5 - 10	80 - 85	0 - 5	56	140 - 145	0 - 2.5	35 - 40	115 -120	0 - 2.5	911	915	1
Mr N Bird		75 - 80	-	42	115 - 120	25 -30	0 - 5	12	40 - 45	0 - 2.5	15 - 20	45 - 50	5 - 10	185	220	22
Mr P Fox		95 - 100	5 - 10	46	155 - 160	95 - 100	0 - 5	48	145 - 150	2.5 - 5	15 - 20	-	-	143	188	17
Prof I Gillespie		95 - 100	-	36	130 - 135	55 - 60	-	21	75 - 80	0 - 2.5	0 - 5	-	-	17	47	21
Dr P Heads		65 - 70	-	15	80 - 85	60 -65	0 - 5	(29)	30 - 35	0 - 2.5	30 - 35	50 - 55	(2.5) - (0)	568	614	12
Mr M Kirke		75 - 80	-	28	100 - 105	-	-	-	-	0 - 2.5	0 - 5	-	-		25	19
Ms A Robinson		60 - 65	-	24	85 - 90	-	-	-	-	0 - 2.5	0 - 5	-	-		13	7
Mr N Sully		10 -15	-	9	20 - 25	-	-	-	-	0 - 2.5	20 - 25	-	-		305	5
Former Directors:																
Professor A Rodger	3	-	-	-	-	45 - 50	0 - 5	(123)	(75) - (70)	-	-	-	-	-	-	-
Dr P Kempton	4	-	-	-	-	35 - 40	-	69	105 - 110	-	-	-	-	-	-	-
Mr C McKinnon	5	-	-	-	-	20 - 25	-	-	20 - 25	-	-	-	-	-	-	-
Dr P Newton	6	-	-	-	-	10 - 15	0 - 5	1	15 - 20	-	-	-	-	-	-	-
Band of Highest Paid Director's Total Remuneration	7				140 - 145				140 - 145							
Median Total Remuneration					30,171				30,292							
Median Total Remuneration Ratio					4.72				4.71							

Notes:
1 Pay figures include salary, overtime, allowances and awards. All senior staff pay for the year is also their FTE salary with the exception of: Ms Robinson whose salary lies in the £80k - £85k range, Mr Sully whose salary lies in the £65 - £70k range and Mr Bates whose salary lay in the £80k - £85k range. Bonus figures shown are those paid out during each year.
2 Retired as Director People & Skills on 23 May 2014.
3 Interim Director, British Antarctic Survey, from 27 November 2012 until 30 September 2013.
4 Interim Director Science from 1 June 2013 until 31 October 2013.
5 Director Innovation & Communication from 7 January 2013 until 30 June 2013, insufficient service to require an RCPS pension.
6 Stood down as Director Science on 30 May 2013.
7 The highest paid director in post at the end of the reporting period is Professor D Wingham, NERC Chief Executive, whose salary band range is between £140-145k (2013-14: £140-145k). This was 4.72 times (2013-14: 4.71) the median remuneration of the workforce, which was £30,171 (2013-14: 30,292). There are no material changes between the ratios of both years. No employee received a remuneration in excess of the highest paid director. .

Remuneration of senior employees

Members of the council's senior management team received emoluments during the year as per Table 2 here.

Total Emoluments
Total emoluments include gross salaries, performance related bonuses and pension benefits. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

Pension benefits
All senior employees are ordinary members of the Research Councils' Pension Scheme (RCPS) which is an unfunded public service defined benefit scheme with pension costs met from employer and employee contributions on a pay-as-you-go basis and the balance covered by an annual grant-in-aid.
Further details about the RCPS can be found in Note 5(c) of the Annual Accounts.

Cash Equivalent Transfer Value
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 benefits from the scheme. A CETV is the amount that would be paid by a pension scheme when the member leaves a scheme and chooses to transfer the benefits accrued in the former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer Values) (Amendment) Regulations 2008 and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

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

Remuneration of NERC Council Members

Members of NERC Council receive an honorarium of £6,850 per annum to cover all work for NERC Council including membership of NERC Council's Boards; Professor Curran received an additional £753 (£2,260 pro-rata) for being the Chair of the NERC Council Audit and Risk Assurance Committee up to 31 July 2014. Mr Folland, the new Chair of the NERC Council Audit and Risk Assurance Committee, is entitled to an additional £2,260 as well as the standard honorarium, but currently instead chooses to donate these amounts to NERC studentships. The Chairman of Council, Sir Anthony Cleaver, receives a salary of £16,430 per annum.

These rates have applied since 1 October 2009 and are formulated by the Department for Business, Innovation and Skills.

NERC Council members are normally employed on fixed term contracts not exceeding 4 years.
Members of NERC Council will not normally receive fees in addition to honoraria. University academic staff and retired Civil Servants are eligible to receive honoraria or fees. NERC Council members may decline an honorarium if they wish.

Membership of NERC Council by gender as at 31 March 2015

	Male	Female
Number of members	11	5
% of members	69%	31%

Table 3: Membership of the NERC Council (2014-15)[3]

Name	Affiliation	Period of Appointment	Total Emoluments £000		Note Ref
			2014-15	2013-14	
Sir Anthony Cleaver	Chairman	01 Jan 2014 - 31 Dec 2017	15 - 20	0 - 5	
Professor D Wingham	Chief Executive and Deputy Chairman	01 Jan 2012 - 31 Dec 2015	0	0	1
Professor P Curran	Vice Chancellor and Professor of Physical Geography, City University London and Chair of NERC Council Audit and Risk Assurance Committee.	08 Aug 2006 - 31 July 2014	0 - 5	5 - 10	
Professor I Boyd	Professor in Biology at the University of St Andrews and Chief Scientific Advisor to DEFRA	01 Feb 2013 - 31 Jan 2017	0	0	1
Mr R Douglas	Managing Director, Willis analytics for Willis Re	01 Aug 2008 - 31 July 2015	5 - 10	5 - 10	
Professor C Godfray CBE	Professor of Zoology, University of Oxford	01 Aug 2008 - 31 July 2015	5 - 10	5 - 10	
Mr N Folland	Executive Director, Group CEO's Office, Co-operative Group and Chair of NERC Council Audit Committee (effective 1st August 2014).	01 Aug 2013 - 31 Jul 2017	0	0	2
Professor L Heathwaite	Professor of Land & Water Science and Co-Director of the Centre for Sustainable Water Management in the Lancaster Environment Centre, Lancaster University and Part-time Scottish Government Chief Scientific Adviser for Rural & Environment.	17 Dec 2012 - 16 Dec 2016	0	0	1
Professor G Mace CBE	Professor of Biodiversity & Ecosystems and Head of the Centre for Biodiversity & Environment Research at University College London.	01 Aug 2011 - 31 July 2015	5 - 10	5 - 10	
Professor P Monks	Professor of Atmospheric Chemistry, University of Leicester and member of NERC Council Audit and Risk Assurance Committee.	01 Aug 2011 - 31 July 2015	5 - 10	5 - 10	
Professror I Poll OBE	Emeritus Professor of Aerospace Engineering at Cranfield University.	23 Sep 2014 - 22 Sep 2018	0 - 5	0	
Mr I Simm	Chief Executive, Impax Asset Management Group plc	01 Aug 2013 - 31 Jul 2017	5 - 10	0 - 5	
Professor Dame Julia Slingo DBE	Chief Scientist, Met Office	01 May 2009 - 30 April 2017	0	0	1
Ms C Tacon CBE	Chair of the Food & Drink Engineering Forum and the BBC Rural Affairs Advisory Committee.	01 Aug 2013 - 31 Jul 2017	5 - 10	0 - 5	
Professor A Watson	Professor at the College of Life & Environmental Sciences, University of Exeter	01 Aug 2008 - 31 July 2015	5 - 10	5 - 10	
Lord Willis of Knaresborough	Member of the House of Lords Science & Technology Committee.	01 Aug 2011 - 31 July 2015	5 - 10	5 - 10	
Ms R Willis	Independent consultant in environmental policy and practice	01 Aug 2011 - 31 July 2015	5 - 10	5 - 10	

Notes
1 Honoraria are not payable to members who are civil servants, employees of NERC or full time employees of organisations whose funds are derived from Votes of Parliament.
2 Mr Folland donates his honaria to NERC studentships.
3 Sharon Ellis attends Council as a BIS observer and is not remunerated for her services.

Remuneration of Council and Committee Members/Peer Review College

	2015 £000	2014 £000
Council Members' fees	87	87
Committee Members/Peer Review fees	131	124
Other emoluments	36	21
Total	**254**	**232**

Committee members may receive £170 per day (2013-14: £170).

Committee Chairs may receive £230 per day (2013-14: £230).

The Chair of the Science & Innovation Strategy Board receives £9,110 per annum (2013-14: £9,110).

Peer Review College Chairs receive honoraria of £1,000 per annum (2013-14: £1,000). Peer Review College members who are eligible for payment and elect to be remunerated are paid £200 per meeting.

Peer Review College Chair and Member appointments are open-ended but reviewed annually; the College year runs from 1 July to 30 June.

All emoluments are non-pensionable.

Number of Council, Committee and Board Members as at 31 March

	2015 No.	2014 No.
Council Members[i]	16	16
Committee and Board Members[ii]	76	87
Peer Review College Members[iii]	681	741
Total	**773**	**844**

Notes:
i Includes Chief Executive and Chairman.
ii Members comprises of Audit and Risk Assurance Committee, Executive Board, Science and Innovation Strategy Board, Strategic Programme Advisor Group (Founded 2014), Innovation Advisory Board (Founded 2014), Joint Capital Advisory Group (Founded 2014), Training Advisory Group & Individual Merit Promotion Panel. Also includes members of the Research Excellence and Impact Panels assembled for the 2013 Research Excellence Evaluation. Members of Council or multiple committees are only counted once.
iii Not all members will attend meetings during the year; excludes Council or Committee Members.

Council, Committee and Peer Review College Members' emoluments as at 31 March fell into the following bands:

	2015 No.	2014 Restated[i] No.
0[ii]	554	617
£1 to £5,000	234	228
£5,001 to £10,000	12	11
£12,001 to £15,000	0	1
£15001 to £20,000	1	0
Total	**801**	**857**

Notes
i 2014 figures restated for Council and Committee Members who left during the year and which are therefore not included in the table showing members at year end.
ii Includes the Chief Executive and the members of Council who are also Civil Servants and therefore do not receive any remuneration for their work on NERC Council.

Professor Duncan Wingham
Chief Executive and Accounting Officer
30 June 2015

Statement of Account for the Financial Year 2014-15

Statement of Chief Executive's Responsibilities with Respect to the Financial Statements

Under Paragraph 3 of Schedule 1 to the Science and Technology Act 1965, the Secretary of State for the Department for Business, Innovation and Skills has directed the Council to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Natural Environment Research Council and of its comprehensive net expenditure
and cash flows for the financial year.

In preparing the accounts the Chief Executive as 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 Department for Business, Innovation and Skills, including 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 (**www.hm-treasury.gov.uk/frem_index.htm**) have been followed, and disclose and explain any material departures in the financial statements; and

- prepare the financial statements on the going concern basis.

The Department for Business, Innovation and Skills has appointed the Chief Executive as Accounting Officer of the Natural Environment Research Council. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping of proper records and for safeguarding the Natural Environment Research Council's assets, are set out in the Non-Departmental Public Bodies' Accounting Officers' Memorandum issued by HM Treasury and published in "Managing Public Money" (The Stationery Office).

Governance Statement 2014-15

Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of governance and internal control that supports the achievement of NERC's policies, aims and objectives. I also safeguard the public funds and NERC assets for which I am personally responsible, ensuring they are properly accounted for and used economically, efficiently and effectively in accordance with 'Managing Public Money'.

Governance Structure

NERC Council is the senior decision making body and includes members from NERC's academic and user communities. Membership is reviewed annually, appointments are advertised nationally and members are appointed by the Secretary of State for Business Innovation and Skills. Details of Council membership can be found at **www.nerc.ac.uk/about/organisation/boards/council/membership/**

The role of NERC Council is to decide on all issues of major importance, principally issues of corporate strategy, key strategic objectives and targets, and major decisions involving the use of resources and personnel, including key appointments. Responsibility for carrying out key strategy and responsibilities associated with the day to day management of NERC is delegated to the Chief Executive.

The powers, roles, responsibilities and membership of Council are defined in its Royal Charter. The nature of its relationship with its sponsor department, the Department for Business Innovation and Skills (BIS), is defined in the Management Statement and Financial Memorandum agreed in 2005. These documents are available on the NERC website: **www.nerc.ac.uk/about/organisation/boards/council/**

The main topics of discussion at Council during the year were as follows:

- Research centre ownership and governance
- NERC's approach to international partnerships
- Demand for NERC grant funding management
- Capital consultation
- New polar research vessel
- Corporate affairs, including plans for NERC's 50th anniversary
- Comprehensive Spending Review and Nurse Review
- National Capability commissioning
- Strategic science update

The Audit and Risk Assurance Committee (ARAC) is an advisory body. It is authorised by Council to investigate any activity within its terms of reference, which include the review of NERC's internal and external financial statements/reports and to review NERC's internal control systems in matters such as risk, health & safety and security. During the year its main activities were:

- The NERC Annual Report and Statutory Accounts 2014-15
- NERC Risk Register
- Fraud investigations
- Cross Council fraud policy
- NERC whistleblowing policy
- Engagement with internal and external audit through standard planning/reporting cycles

The Council's Remuneration Committee determines base pay movement and annual performance bonuses for NERC's staff at Band 1 and 2. The committee met once in 2014-15.

Council and board attendance record

Name	Position Held	Council Attendance	ARAC Attendance	Remuneration Committee Attendance
Sir Anthony Cleaver	Chairman (Council)	5/5		1/1
Prof Duncan Wingham	CE NERC	5/5		1/1
Prof Paul Curran	Member (Council)	2/2		
	Chairman (ARAC)		2/2	
	Member (Remunation)			1/1
Mr Rowan Douglas	Member (Council)	3/5		
Prof Charles Godfray	Member (Council)	4/5		
Prof Georgina Mace	Member (Council)	5/5		
Prof Paul Monks	Member (Council)	5/5		
	Member (ARAC)		3/4	
	Member (Remuneration)			1/1
Prof Julia Slingo	Member (Council)	3/5		
Prof Andrew Watson	Member (Council)	5/5		
Lord Willis of Knaresborough	Member (Council)	5/5		
Ms Rebecca Willis	Member (Council)	5/5		
Prof Louise Heathwaite	Member (Council)	5/5		
Prof Ian Boyd	Member (Council)	3/5		
Mr Nick Folland	Member (Council)	5/5		
	Chairman (ARAC)		2/2	
Mr Ian Simm	Member (Council)	4/5		
Ms Christine Tacon	Member (Council)	5/5		
Prof I Poll	Member (Council)	3/3		
Mr Bryan Thompson	Member (ARAC)		2/2	
Ms Tracey Martin	Member (ARAC)		3/4	
Mr Ian Foy	Member (ARAC)		4/4	
Mr Martin Kirke	Member (Remuneration)			1/1
Mr Nigel Sully	Member (Remuneration)			1/1

I am satisfied the structure, operation and performance of Council, ARAC and the Remuneration Committee comply with the Corporate Governance Code. NERC governance arrangements were considered as part of the 2013 Triennial Review.

Risk Assessment

Our business is to fund excellent, peer-reviewed environmental science that helps us:

- understand and predict how the planet works; and
- manage our environment responsibly as we pursue new ways of living, doing business, escaping poverty and growing economies

Whilst the science we investigate can be sensitive, such as our contribution to ensuring growth with responsible environmental management in the energy sector, we have a low risk appetite in terms of the way we do business. We fund research, innovation and advanced training with eligible UK research institutions and make our investment decisions using a transparent peer review process.

NERC encourages sound, properly managed risk taking and recognises that effective risk management, rather than risk avoidance, is an essential ingredient for successful delivery of our strategy. A robust risk management process exists including an examination of high risk items and mitigation actions by directors, at ARAC and Council. It is my judgement that our process meets benchmarking standards and business need. I am satisfied with the performance of our risk management system and this view is supported by the 'moderate assurance' provided by Audit Assurance Services Group (AASG).

The key risks facing NERC at present are:

1. The HM Treasury spending review, taking place in challenging financial circumstances, alongside additional considerations which may arise from Sir Paul Nurse's review of the research councils, may have financial consequences for NERC. This could in turn affect the quality and extent of NERC-supported science.
2. An increase in the rate of movement of the underlying ice shelf means there is a risk that the Halley VI research station may be lost, seriously damaged or become impractical to inhabit.
3. Failure to agree with BIS the future operating model of NERC's research centres would impede NERC's efforts to improve its strategic focus as funder and champion of environmental science. It would also seriously reduce these centres' ability to maintain both the scientific excellence and the wider economic and societal benefits of their research.

I am satisfied that these risks have appropriate mitigating actions and are being actively managed.

Data Protection & Information Assurance

The NERC Information Assurance Group (IAG) continued to coordinate NERC information assurance and information risk management. There has been a focus on senior management awareness of information assurance and cyber security, with a presentation in October 2014 from the NERC Head of Web & Information Services.

Macpherson Review

NERC conducted an annual review of analytical modelling in early 2015 as advocated by the Macpherson review, and did not identify any that were considered to be business critical. I can confirm that NERC complies with the requirements.

Tax arrangements of public sector appointees

I can confirm that NERC's senior staff are all paid through the payroll and that arrangements are in place to provide assurance that appropriate tax arrangements, as set out by the Alexander review (2012), are in place to cover any other appointees covered by the report.

Review of effectiveness of Internal Control

My assessment is informed by:

A. Centre Activity and Resource Plans

Every six months I meet formally with each Business Unit Director to examine their Research Centre Activity and Resource Plan (CARP). In this process, the Directors are asked to document and explain their financial plans, business activity and workforce development for the next three years. The examination provides assurance concerning financial planning, alignment to NERC strategy and the effectiveness of internal control within their area of responsibility. The 2014-15 meetings provided substantial assurance with the following key outcomes:

- Evidenced based balanced budgets have been set;
- External income risks are mitigated;
- Capital plans are well managed;
- Workforce plans are sustainable; and
- The financial impact of the Halley VI Antarctic Station power failure is properly understood.

B. The NERC Executive Board (NEB) Review

The NEB examines specific, high risk, matters on a monthly basis together with issues relating to any risks that are referred upwards by Research Centre Directors and others via the agreed escalation procedures.

C. Management Review

NERC operated a system of centralised compliance and sample testing of business activity. Thousands of transactions have been examined during the year and assurance provided that our accounting data accurately reflects business activity. Detective controls identified one minor case of fraud. A full investigation has been completed, the staff member dismissed and the police notified. NERC is adding an additional approval step into the expenses process to reduce the likelihood of reoccurrence.

D. Major Capital Investment

NERC is investing c200m in a new polar research vessel. The vessel will combine a cutting-edge scientific research platform with Antarctic logistics capability. Independent project assurance is provided through the Cabinet Office Major Project Authority. The most recent review suggested 'Successful delivery appears feasible' and NERC is implementing a number of recommendations designed to strengthen the programme.

E. Audit & Assurance Services Group

The Director of the Audit and Assurance Service Group (AASG), NERC's internal auditor, provides an annual internal audit opinion on the overall adequacy and effectiveness of NERC's framework of governance, risk management and control. This opinion is informed by the internal audit work undertaken during the year and includes a review of the regularity of expenditure on Research Council grants at all eligible Research Organisations.

The work of the AASG provides assurance in four areas: NERC core activities; cross-Council activities which NERC is involved in; processes shared by NERC with the UK Shared Business Services (UK SBS Ltd); The Funding Assurance Programme (FAP).

The Director of Internal Audits Overall Opinion

Sufficient internal audit work has been undertaken to allow the DIA to provide a positively stated (evidence-based) and reasonable (not absolute) assurance opinion on the overall adequacy and effectiveness of NERC's system of internal control. The overall opinion is 'Moderate Assurance'.

Some improvements are required to enhance the adequacy and effectiveness of the framework of Governance, Risk Management and Control.

This represents no change to the assurance level provided in the mid-year report. There are no qualifications to this opinion.

Of the 22 assurances provided, 22.7% (5) reflect substantial and 68.2% (15) reflect moderate assurance. NERC's realised assurance (90.9%) (i.e. assurance at substantial or moderate) has increased over the previous year's level (82.9%). This is supported by the fact that of the 134 total recommendations risen, only 25% required a high priority action implementation.

Significant Findings

- MARS Project: The limited assurance reflects non-compliance with NOC and NERC project management policy which meant good project discipline and controls were not embedded throughout the project.
- RCUK Research Funding Programme (RFP) - Programme Management: the limited assurance reflects key strategic weaknesses in the current programme and its rationale.

UK SBS

NERC receive services from UK SBS Ltd. Responsibility for internal audit of UK SBS Ltd transferred to the Government Internal Audit Agency from 1 April 2014. In response to this, a review of Retained Functions was included in the cross-client programme which has received an overall rating of 'Moderate Assurance'. The assurance provided by UK SBS on their customer processes is consistent with that provided by AASG on retained functions.

In response to the significant audit findings:

- The MARS Project has strengthened its project and benefits management and as the project draws to a close has scheduled an end of programme review which includes a feedback meeting with stakeholders; and
- The RCUK Research Funding Programme governance and delivery has been strengthened through the senior appointment of an RCUK Executive Director.

F. National Audit Office

The draft management letter from the NAO concerning the audit of the 2014-15 Annual Accounts has been received which raised no material issues that will have implications for internal control.

G. Assurance related to UK Shared Business Service Ltd (UK SBS)

NERC relies upon UK SBS to perform its back office processing for human resources, procurement, payroll, finance and grants.

2014-15 Performance

The Accounting Officer of UK SBS has written to me stating that the company's internal auditors have provided limited assurance for the internal control operated within the company. In addition UK SBS Customer Performance Indicators demonstrate a poor and weakening customer service performance, particularly in Human Resource and Payroll.

To compensate for the weaknesses in UK SBS NERC has been operating a system of detective controls to identify and rectify service failings. My internal audit has examined this additional control system operated by my finance, human resources and grants teams and provided moderate assurance that NERC is mitigating the risk of material error.

In this year, it became apparent that one million pounds of consultancy advice was purchased without the permission of BIS or Cabinet Office. This came to light as a result of a NERC detective control that identified the non-compliance. I have identified that this resulted from incorrect advice provided to NERC from UKSBS in relation to whether this contract fell within Cabinet Office controls and a failure within NERC to implement appropriate controls that would have recognised that this spend fell within Cabinet Office guidelines.

I have therefore put in place additional controls which require that any further procurement that might fall within Cabinet Office controls is subject to both prior advice and agreement from BIS and to the approval of the NERC Accounting Officer. I am also aware that UKSBS have put in place additional controls to ensure they are operating in a compliant manner on behalf of their clients including tightening up and formalising delegation of their Heads of Procurement and additional formal sign offs on key advice.

Future Operations

BIS have informed me that they are conducting a fundamental review of UK SBS and that the current version of the UK SBS Oracle platform is at risk and requires a significant upgrade. I consider the business continuity of UK SBS operations to be a risk to NERC business.

Conclusion

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

Professor Duncan Wingham
Chief Executive and Accounting Officer
30 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 Natural Environment Research Council for the year ended 31 March 2015 under the Science and Technology Act 1965. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Council, Accounting Officer and auditor

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

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Natural Environment Research Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by Natural Environment Research Council; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements 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 Natural Environment Research Council's affairs as at 31 March 2015 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Science and Technology Act 1965 and Secretary of State directions issued thereunder.

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 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.

Sir Amyas C E Morse
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London
SW1W 9SP

6 July 2015

Statement of Comprehensive Net Expenditure for the period ended 31 March 2015

	Notes	2015 £000	2014 £000
Expenditure			
Staff costs	5(b)	108,024	105,681
Staff exit costs	6	1,412	888
Grants and training awards	7	188,863	202,140
Other operating costs	8	97,985	98,330
Depreciation	9(a)	35,491	30,681
Impairment of property, plant and equipment	9(a)	886	1,427
Impairment of assets held for sale	11	-	45
(Reversal of) impairments of investments	9(c)	(18)	49
Loss/(gain) on disposal of fixed assets and assets held for sale		338	(2,209)
Amortisation	10	252	88
Unwinding of discount	14	68	132
Change in discount rate	14	44	23
Total expenditure		433,345	437,275
Income	4	(68,735)	(66,992)
Net operating expenditure		364,610	370,283
Finance lease interest		540	728
Interest receivable		(1)	(11)
Net expenditure for the year		365,149	371,000
Other comprehensive expenditure			
Net gain on revaluation of property, plant and equipment	9(a)	(14,094)	(23,816)
Net gain on revaluation of intangible assets	10	(21)	(5)
Total comprehensive expenditure for the year ended 31 March 2015		**351,034**	**347,179**

All activities are continuing.

The notes on page 50 to 74 form part of these accounts.

Statement of Financial Position as at 31 March 2015

	Notes	£000	31 March 2015 £000	£000	31 March 2014 £000
Non-current assets					
Property, plant and equipment	9(a)(b)	435,101		430,179	
Intangible assets	10	1,139		211	
Non-current receivables	12	69		75	
Jointly controlled entities and unlisted investments	9(c)	94		76	
Total non-current assets			436,403		430,541
Current assets					
Assets classified as held for sale	11	78		70	
Trade and other receivables	12	21,269		26,707	
Cash and cash equivalents	16	2,599		9,687	
Total current assets			23,946		36,464
Total assets			460,349		467,005
Current liabilities					
Trade and other payables	13	(61,200)		(72,127)	
Provisions	14	(900)		(619)	
Total current liabilities			(62,100)		(72,746)
Non-current assets plus current assets less current liabilities			398,249		394,259
Non-current liabilities					
Provisions	14	(6,590)		(6,162)	
Trade and other payables	13	(4,632)		(5,790)	
Total non-current liabilities			(11,222)		(11,952)
Assets less liabilities			**387,027**		**382,307**
Taxpayers' equity					
Revaluation reserve			112,246		108,946
Income and expenditure reserve			274,781		273,361
Total government funds			**387,027**		**382,307**

The notes on page 50 to 74 form part of these accounts.

Duncan Wingham
Chief Executive & Accounting Officer
30 June 2015

Statement of Cash Flows for the period ended 31 March 2015

	Notes	£000	2015 £000	£000	2014 £000
Cash flows from operating activities					
Net expenditure for the year		(365,149)		(371,000)	
Depreciation	9(a)	35,491		30,681	
Impairment charged to net expenditure account	9(a)	886		1,472	
(Reversal of) impairments of investments	9(c)	(18)		49	
Loss/(gain) on disposal of fixed assets and assets held for sale		338		(2,209)	
Amortisation	10	252		88	
Decrease/(increase) in trade and other receivables	12	5,444		(2,084)	
(Decrease)/increase in trade and other payables	13	(10,491)		3,854	
Increase/(decrease) in provisions	14	709		(3,315)	
Net cash outflow from operating activities			(332,538)		(342,464)
Cash flows from investing activities					
Payments to acquire property, plant and equipment	9(a)(b)	(28,379)		(37,603)	
Payments to acquire intangible assets	10	(642)		(177)	
Receipts from disposal of property, plant and equipment, intangible assets and investments		311		2,479	
Net cash outflow from investing activities			(28,710)		(35,301)
Cash flows from financing activities					
Grant-in-aid and other BIS funding	3	355,754		366,870	
Capital element of finance lease payments		(1,594)		(1,380)	
Net cash inflow from financing activities			354,160		365,490
Net decrease in cash and cash equivalents in the period			(7,088)		(12,275)
Cash and cash equivalents at the beginning of the period			9,687		21,962
Cash and cash equivalents at the end of the period			**2,599**		**9,687**

The notes on page 50 to 74 form part of these accounts.

Statement of Changes in Taxpayers' Equity for the period ended 31 March 2015

	Notes	Income & expenditure reserve £000	Revaluation reserve £000	Total government funds £000
At 1 April 2013		268,171	94,445	362,616
Changes in taxpayers' equity for 2013-14				
Grant-in-aid and other BIS funding	3	366,870	-	366,870
Revaluation in year		-	23,821	23,821
Net expenditure for the year		(371,000)	-	(371,000)
Revaluation reserve released to net expenditure		9,320	(9,320)	-
Balance at 31 March 2014		**273,361**	**108,946**	**382,307**
Changes in taxpayers' equity for 2014-15				
Grant-in-aid, notional costs and other BIS funding	3	355,754	-	355,754
Revaluation in year		-	14,115	14,115
Net expenditure for the year		(365,149)	-	(365,149)
Revaluation reserve released to net expenditure		10,815	(10,815)	-
Balance at 31 March 2015		**274,781**	**112,246**	**387,027**

The notes on page 50 to 74 form part of these accounts.

Notes to the Accounts

1. Statement of accounting policies

a. Basis of accounting

(i) The accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment, intangible assets and inventories in accordance with the Government Financial Reporting Manual (FReM) for 2014-15. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. The accounts, which give a true and fair view, have been prepared in accordance with The Science and Technology Act 1965 and with directions made by the Secretary of State. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of NERC for the purpose of giving a true and fair view has been selected.

(ii) The accounts meet the accounting and disclosure requirements of the Companies Act 2006 and accounting standards issued or adopted by the Accounting Standards Board in as far as these requirements are appropriate in accordance with the FReM.

(iii) The accounts of all NERC owned research centres have been incorporated into these accounts.

(iv) These financial statements are presented in pounds sterling, NERC's functional currency, and all amounts have been rounded to the nearest thousand pound (£000).

Adoption of standards and changes in policy

All International Reporting Standards, Interpretations and Amendments to published standards, effective at 31 March 2015, have been adopted in these financial statements, taking into account the specific interpretations and adaptations included in the FReM.

Effective for future financial years

The IASB and IFRIC issued certain standards and interpretations with an effective date after these financial statements. Where these changes are relevant to NERC's circumstances they are listed below and will be adopted at the effective date. They have not been adopted early and their adoption is not expected to have a material impact on NERC's reported income or net assets in the period of adoption.

IFRS 9 Financial instruments, will replace IAS 39 Financial Instruments: Recognition and Measurement in its entirety. IFRS 9 is expected to improve and simplify the reporting of financial instruments. The new standard will be effective for accounting periods beginning on or after 1 January 2018 subject to EU endorsement. It is not yet clear what the impact of the introduction of this standard will have on NERC.

IFRS 13 Fair Value measurement provides a single IFRS framework for measuring fair value and requires disclosures about fair value measurement. The Standard defines fair value on the basis of an 'exit price' notion and uses a 'fair value hierarchy', which results in a market-based, rather than entity-specific, measurement. HM Treasury has concluded that exit values are not appropriate for most public sector assets and adoption for the public sector is expected to be limited. It will be prospectively effective for accounting periods beginning on or after 1 January 2015. It is not yet clear what the impact of the introduction of this standard will have on NERC.

b. Going Concern

These accounts have been prepared on the basis of a Going Concern. Any deficit shown on the income and expenditure reserve will be extinguished over time, having regard to the resource and capital budgets to which NERC can be expected to have access.

In April 2011, Cabinet Office announced that all non-departmental public bodies (NDPB's) would have to undergo a substantive review at least once every three years. These Triennial Reviews have two purposes:

- To provide a robust challenge of the continuing need for individual NDPBs for both their function and form; and
- Where it is agreed that a particular body should remain as an NDPB, to review the control and governance arrangements in place to ensure that the public body is complying with recognised principles of good corporate governance.

The 2014 Triennial Review of the Research Councils confirmed that the current 7 Research Councils should continue to exist in their current format and NERC has received its budget allocation for 2015-16 from BIS. The financial statements have thus been prepared on a going-concern basis.

c. Assets

Property, plant and equipment

Expenditure on property, plant and equipment includes the purchase of land and buildings, construction and services projects, and equipment with a value of £10,000 or above (2013-14: £10,000).

Property, plant and equipment are carried at fair value or depreciated historical cost which is used as a proxy for fair value. Costs of acquisition, comprising only those costs that are directly attributable to bringing the asset into working condition for its intended use, are capitalised. Land, buildings, ice stations in Antarctica, ships and aircraft are independently and professionally revalued every five years. These assets are subject to annual indexation when a full revaluation is not completed.

All UK land and buildings were valued in 2012-13 by Rafe Staples BSc (Hons), MRICS (member of The Royal Institution of Chartered Surveyors) acting as an external valuer on the basis of Existing Use Value in accordance with the RICS Valuation Professional Standards. These valuations excluded the scientific apparatus.

The British Antarctic Survey (BAS) Antarctic Research Stations were valued in 2011-12 via a desk-based valuation by Rafe Staples BSc (Hons), and Kirstie Wheeler BSc (Econ), MRICS acting as an external valuer, on the basis of Existing Use Value calculated by reference to Depreciated Replacement Costs. The Estimated Replacement Costs were calculated by BAS and adjusted by BAS and Powis Hughes in accordance with the RICS Valuation Standards.

The four research ships, RRS *Discovery*, RRS *James Clark Ross*, RRS *Ernest Shackleton* and RRS *James Cook*, were revalued in 2013-14 by E.A. Gibson Shipbrokers Ltd. All aircraft were also revalued in 2013-14 by the International Bureau of Aviation Group Limited.

All other plant, equipment and transport are revalued using relevant indices.

Any surplus or deficit on revaluation is taken to a revaluation reserve, except that any permanent diminution in value is charged to the statement of comprehensive net expenditure in the year in which it is recognised. Where subsequent evidence suggests a partial or complete reversal of the diminution in value, this is also reflected in the statement of comprehensive net expenditure in the year in which it is recognised as per IAS 36.

Increased depreciation charges arising from the revaluation are matched by annual transfers from the revaluation reserve to the income and expenditure reserve. On the disposal of a revalued asset, that element of the revaluation reserve which becomes realised as a result is transferred directly to the income and expenditure reserve.

Freehold land is not depreciated. All other tangible fixed assets are depreciated in order to write off the value of the asset less its estimated residual value over their estimated useful economic lives using modified reducing balance depreciation methodology. These lie within the following ranges:

Leasehold land	-	over the terms of the lease
Freehold buildings	-	up to 50 years or valuer's estimates of economic life
Long leasehold buildings	-	up to 50 years (or the length of the lease if less)
Short leasehold buildings	-	over the length of the lease
Antarctic ice stations	-	up to 35 years or valuer's estimates of remaining useful life
Plant and machinery	-	5 to 15 years
Ships and aircraft	-	minimum of 20 years for ships, 15 years for aircraft
Scientific, office and major computing equipment	-	3 to 10 years
Motor vehicles	-	3 to 10 years
Assets under construction	-	not depreciated until brought into use

Property, plant and equipment are depreciated from date when they are available for use. The residual values of assets are reviewed on an annual basis.

Component accounting
Property, plant and equipment may have parts with different useful lives. In accordance with the provisions of IAS 16 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.

d. Investments
If material and with controlling interest, NERC consolidates its investments into its financial statements in accordance with IFRS 10 Consolidated Financial Statements. Where immaterial or without controlling interest, the investment is not consolidated, but where possible its fair value is reported in accordance with IAS 39 Financial Instruments: Recognition and Measurement.

e. Intangible assets
Intangible assets comprise purchased or developed computer software, datasets and websites and are stated at the lower of historical cost less accumulated amortisation or valuation. Intangibles are given definite useful lives and are amortised over a period not exceeding ten years on a straight line basis over the useful life of the asset from the date of use based on nil residual value. The intangible assets are revalued on an annual basis using the HMT Treasury GDP deflator figures.

f. Impairment
The carrying amounts of the Council's property, plant and equipment, intangible assets and financial assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment: property, plant and equipment, intangible assets and financial assets are considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of the assets. If any such indication exists, the assets' recoverable amounts are estimated.

An impairment loss is recognised whenever the carrying amount of an asset exceeds its recoverable amount. Impairment losses below original cost are recognised in the statement of comprehensive net expenditure.

Any reversal of an impairment charge is recognised in the statement of comprehensive net expenditure to the extent that the original charge was previously recognised.

g. Assets held for sale
Where a non-current asset, whose value will be recovered principally through sale rather than through continuing use, is available for immediate sale in its present condition and its sale is highly probable, it is classified as 'held for sale' and presented separately on the face of the statement of financial position. A sale is highly probable where: there is evidence of management commitment; there is an active programme to locate a buyer and complete the plan; the asset is actively marketed for sale at a reasonable price; and the sale will normally be completed within 12 months from the date of classification.

Assets held for sale are stated at the lower of net book value (carrying amount) and fair value costs to sell. These assets are not depreciated. Depreciation ceases at the date an item of property, plant and equipment is classified as an asset held for sale.

h. Employee benefits
Under IAS 19 'Employee Benefits' an entity is required to recognise short term employee benefits when an employee has rendered service in exchange for those benefits. Included in the financial statements is an accrual for the outstanding employee holiday entitlement at 31 March 2015 on an undiscounted basis.

i. Ownership of equipment purchased with NERC research grants
Equipment purchased by an Institution with research grant funds supplied by NERC, belong to the Institution and are not included in NERC's property, plant and equipment. Through the Conditions of Grant applied to funded Institutions, NERC reserves the right to determine the disposal of such equipment and how any disposal proceeds are to be utilised.

j. Government grants receivable and other income
Under the FReM, NDPBs regard grant-in-aid and other income received for revenue purposes as contributions from controlling parties giving rise to a financial interest in the body. As a result, grant-in-aid and other income received from BIS are credited to the income and expenditure reserve rather than being recognised as income in the statement of comprehensive net expenditure.

Other operating income is shown net of trade discount, value added tax and other taxes.

k. Research and development

As an organisation wholly engaged in research, NERC does not classify research and development expenditure separately in the accounts. It is reported under operating costs in the statement of comprehensive net expenditure.

Intellectual property rights arising from the Council's research and development have not been included in these accounts as their market value cannot be readily estimated. The anticipated annual income generated from such rights is not material in value and is credited to the statement of comprehensive net expenditure on receipt.

l. Grants and training awards

The majority of research grants and fellowships are paid by the Council on an instalment basis in arrears in accordance with an agreed payment profile. The majority of studentship payments are paid on a quarterly instalment basis in advance directly to the research institute.

Research and training grants made in advance or in arrears are accounted for on an accruals basis in the financial statements. Future commitments at the balance sheet date are disclosed in Note 17 of the financial statements.

m. Insurance

In line with government policy, NERC carries its own risks in respect of employment of staff and ownership of assets, except where there exists a statutory requirement to insure or where commercial insurance represents better value for money.

n. Foreign currencies

Foreign currency balances representing cash or amounts to be received or paid in cash ('monetary items') are expressed in pound sterling at the rate(s) of exchange ruling at the statement of financial position date. Non-monetary items that are measured at fair value in a foreign currency are translated using the spot exchange rate at the date the value is determined. Non-monetary items that are measured at historical cost are translated using the spot exchange rate at the time of the transaction. Transactions in foreign currencies are recorded at the rate ruling at the time of the transaction. All exchange differences are taken to the statement of comprehensive net expenditure.

o. Value Added Tax

As NERC is partially exempt for VAT purposes, irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of property, plant and equipment. Where output tax is charged or input tax is recoverable the amounts are stated net of VAT. NERC has charitable status for VAT purposes.

p. Pension and early retirement costs

Payments are made to the Research Councils' Pension Scheme in respect of superannuation benefits for Council staff. In addition the council also paid contributions to a number of other multi-employer pensions schemes for specific groups of employees; these include inter alia the Merchant Navy Officers' and Ratings' Pensions Funds and Plans. The costs of early retirements are charged to NERC's accounts in the year in which the binding decision is taken to release staff and liabilities recognised.

Payments by the Council of early retirement lump sums are recoverable from the Research Councils' Pension Scheme when recipients achieve normal retirement age. Recoverable amounts are recognised as receivables in these accounts and offset against annual staff restructuring costs.

q. Cash and cash equivalents

Cash and cash equivalents comprise cash balances and deposits which are repayable on demand.

r. Derivatives and other financial instruments

Due to the non-trading nature of its activities and the way in which NERC is financed, NERC is not exposed to the degree of financial risk faced by non-public sector entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IAS 32, 39 and IFRS7 mainly apply. NERC has very limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day to day operational activities and are not held to change the risks facing NERC in undertaking its activities.

Foreign currency risk
NERC is subject to foreign currency risk through the maintenance of bank accounts in foreign currencies (predominantly the EUR and the USD) to deal with day to day overseas transactions.

Trade receivables
Trade receivables are not interest bearing and are carried at original invoice amount less allowance for impairment. Provision for impairment is established when there is objective evidence that NERC Council will not be able to collect all amounts due according to the original terms of the receivable. The amount of provision is the difference between the carrying amount and recoverable amount and is recognised in the statement of comprehensive net expenditure.

Trade and other payables
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 NERC is established or when the corresponding assets or expenses are recognised.

s. Provisions
In accordance with IAS37 *Provisions, Contingent Liabilities and Contingent Assets* provisions are recognised when it is probable that NERC will be required to settle a present obligation and a reliable estimate can be made of that obligation. The obligation is normally the amount that NERC would rationally pay to settle the obligation at the statement of financial position date or to transfer it to a third party at that time.

This may require estimating the future cash flows in current-year prices (i.e. at the price level prevailing in the year covered by the accounts) and, where the time value of money is material, discounting them at the standard public sector real rate set by HM Treasury, currently +1.30% for pension provisions and for all other provisions: short-term -1.50%, medium-term -1.05% and long-term 2.20%.

t. Contingent Liabilities
Where a potential liability is deemed to have arisen but the obligation has yet to be confirmed due to the lack of a reliable estimate or where it is not deemed probable that an outflow will ensure, unless the likelihood of an outflow is remote, it will be disclosed as a contingent liability rather than being provided for.

u. Decommissioning costs
Decommissioning costs are recognised as soon as the obligation exists. For Antarctic stations and other assets in the course of construction the percentage completion method is used to determine the current obligation. A specific provision is established to cover the current value of the expected future costs of decommissioning the asset.

v. Finance lease
Where NERC has the use of a ship for which substantially all risks and rewards of the asset are transferred to the Council, the asset is capitalised and is subject to the same revaluation policy as other property, plant and equipment and is depreciated over the shorter of its estimated useful economic life or the lease period, with the outstanding lease obligations (net of interest) shown in payables. Finance charges are charged to the statement of comprehensive net expenditure over the period of the agreement in accordance with the interest rate within the contract.

w. Operating leases
Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases.

In accordance with IAS 17 operating lease rentals are charged to the statement of comprehensive net expenditure on a straight line basis over the period of the lease.

x. Reporting by Operating Segment
NERC reports income and expenditure by segment in accordance with IFRS 8. Operating segments are components about which separate financial information is available and is evaluated regularly by the chief operating decision maker, the NERC Executive Board.

y. Key judgements and decisions

The preparation of Financial Statements requires management to make key judgements and estimates. 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.

Management bases its judgements and estimates on historical experience and on various other factors that are believed to be reasonable under the circumstances to determine 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. Specific policies for judgemental areas such as decommissioning costs and provisions are shown above.

2. Analysis of net expenditure by business units for 2014-15

NERC's primary operating segments are its Research Centres and funding areas which correspond with the way NERC is organised and managed.

NERC's assets and liabilities are shared across all business units and consequently it is not necessary to separately identify which segment they relate to, to permit disclosure of this information.

	British Antarctic Survey £000	British Geological Survey £000	Centre for Ecology and Hydrology £000	National Oceanography Centre £000	Science and Innovation £000	Discovery Science £000	Other £000	Total £000
Expenditure								
Staff costs	23,175	28,161	21,857	24,514	2,006	149	8,162	108,024
Staff exits costs	9	-	66	63	-	-	1,274	1,412
Grants and training awards	559	6,532	749	6,867	91,579	81,804	773	188,863
Other operating costs	26,272	11,814	14,205	19,548	9,539	176	16,431	97,985
Depreciation	-	-	-	-	-	-	35,491	35,491
Impairment of property, plant and equipment	-	-	-	-	-	-	886	886
Reversal of impairment of investments	-	-	-	-	-	-	(18)	(18)
Loss on disposal of fixed assets and assets held for sale	-	-	-	-	-	-	338	338
Amortisation	-	-	-	-	-	-	252	252
Unwinding of discount	-	-	-	-	-	-	68	68
Change in discount rate	-	-	-	-	-	-	44	44
Internal transfers [(i)]	(6,899)	(2,329)	(5,425)	(9,757)	12,258	12,067	85	-
Total expenditure	**43,116**	**44,178**	**31,452**	**41,235**	**115,382**	**94,196**	**63,786**	**433,345**
Income [(ii)]	(6,148)	(18,693)	(16,104)	(10,818)	(15,763)	(56)	(1,153)	(68,735)
Net operating expenditure	**36,968**	**25,485**	**15,348**	**30,417**	**99,619**	**94,140**	**62,633**	**364,610**

Notes

(i) Internal transfers result from sharing of resources, internal trading and internal awards between business units. The overall net impact on the organisation is zero.

(ii) Business units receive external funding for research from the UK public sector, European Commission and private sector. In addition they receive other operating income, such as software and data sales and royalties and license fees from intellectual property.

Analysis of net expenditure by business units for 2013-14

	British Antarctic Survey £000	British Geological Survey £000	Centre for Ecology & Hydrology £000	National Oceanography Centre £000	Science and Innovation £000	Discovery Science £000	Other £000	Total £000
Expenditure								
Staff costs	21,561	28,479	21,229	23,056	-	-	11,356	105,681
Staff exits costs	-	-	-	-	-	-	888	888
Grants and training awards	445	1,097	1,421	1,333	112,359	85,257	228	202,140
Other operating costs	28,525	14,772	11,277	22,484	8,992	202	12,078	98,330
Depreciation	-	-	-	-	-	-	30,681	30,681
Impairment of property, plant and equipment	-	-	-	-	-	-	1,427	1,427
Impairment of assets held for sale	-	-	-	-	-	-	45	45
Impairment of investments	-	-	-	-	-	-	49	49
Gain on disposal of fixed assets and assets held for sale	-	-	-	-	-	-	(2,209)	(2,209)
Amortisation	-	-	-	-	-	-	88	88
Unwinding of discount							132	132
Change in discount rate							23	23
Internal transfers	(6,662)	(3,282)	(5,160)	(8,964)	15,771	10,780	(2,483)	-
Total expenditure	**43,869**	**41,066**	**28,767**	**37,909**	**137,122**	**96,239**	**52,303**	**437,275**
Income	(6,189)	(20,388)	(11,660)	(10,801)	(15,330)	(742)	(1,882)	(66,992)
Net operating expenditure	**37,680**	**20,678**	**17,107**	**27,108**	**121,792**	**95,497**	**50,421**	**370,283**

3. Grant-in aid and other BIS Funding

The table below shows a summary of the grants and grant-in-aid, which have been transferred to the income and expenditure reserve during 2014-15:

		£000	2015 £000	£000	2014 £000
Grant-in-aid received					
	Resource	305,908		311,408	
	Capital	43,700		49,445	
			349,608		360,853
BIS notional costs [(i)]			**5,890**		5,890
Other BIS funding			**256**		127
			355,754		366,870

Note
(i) Consists of notional costs for UK SBS operational services to NERC that are paid directly by BIS to UK SBS.

4. Income

		2015 £000	2014 £000
(a)	**Income from other government departments**		
	Department for Environment Food and Rural Affairs	4,431	5,399
	Department for Energy and Climate Change	1,869	1,470
	Ministry of Defence	292	346
	Department for International Development	7,262	4,939
	Department of Enterprise, Trade and Investment Northern Ireland	847	1,132
	Foreign and Commonwealth Office	575	587
	Department for Communities and Local Government	49	70
	Total income from other government departments	15,325	13,943
(b)	**Income from other bodies**		
	European Community [(i)]	8,460	5,180
	Other Research Councils	6,752	8,620
	Other public sector	8,672	8,773
	Private sector	18,513	17,742
	Total income from other bodies	42,397	40,315
	Other operating income		
	Software and data sales	581	460
	Sale of products & publications	334	409
	Property and equipment rentals	1,245	2,107
	Lecture fees, seminars and training courses	17	40
	Royalties and licence fees	2,648	2,412
	Other income [(ii)]	6,188	7,306
	Total other operating income	11,013	12,734
	Total income	68,735	66,992

Notes
(i) Income from the European Community consists of cash receipts of £9,021k and net deferred income of £561k.
(ii) Other income includes £3,512k (2013-14 £2,105k) of monies from the University of Southampton paid to the National Oceanography Centre concerning their joint occupation of the Waterfront Campus.

5. Staff costs

(a) Staff numbers

	2015 No.	2014 No.
Permanent staff	2,011	2,032
Temporary and contract staff	335	270
Staff on inward secondment/loan	7	4
Agency	20	22
	2,373	2,328

The total number of staff reported in the Annual Report is based on head count as at 31 March 2015, whereas the above figures are average FTE's for the year.

(b) Staff costs

	2015 No.	2014 No.
Salaries and wages	81,726	79,801
Social Security Costs	6,584	6,667
Pension costs (Note 5c)	19,714	19,213
	108,024	105,681

Temporary, contract and seconded staff costs of £409k (2013-14: £362k) and agency costs of £940k (2013-14: £1,217k) have been included in operating costs.

The total amount capitalised for staff costs in 2014-15 is £521k (2013-14: £235k). This relates to an estimated 13 full time equivalents for those staff employed by NERC that are adding value to assets such as those engaged in project managing or building of assets.

(c) Pension costs

Pension scheme payments	2015 £000	2014 £000
Payments in respect of the Research Councils'		
Pension Scheme (RCPS)	19,519	19,046
Payments to pension schemes other than the RCPS:		
Merchant Navy Officers' Pension Fund	31	28
Merchant Navy Ratings' Pension Fund	1	2
Merchant Navy Ratings' Pension Plan	2	2
Partnership Pensions	161	135
	19,714	19,213

Most employees of NERC are members of the Research Councils' Pension Scheme (RCPS), which is an unfunded public service defined benefit scheme with pension funded costs met from employer and employee contributions on a pay-as-you-go basis and the balance covered by an annual grant-in-aid. The RCPS is in all respects 'by-analogy' with the Principal Civil Service Pension Scheme (PCSPS), except that the employer's contribution is determined separately. The scheme provides retirement and related benefits based on final or average emoluments. Redundancy and injury benefits are administered and funded by the Council. The scheme is administered by the Research Councils' Joint Superannuation Service with the associated grant-in-aid managed by BBSRC.

Employees may be in one of four defined benefit scheme arrangements; either a 'final salary' scheme (classic, classic plus or premium); or a career average scheme (nuvos). Pensions payable are increased annually in line with changes in the Consumer Prices Index (CPI). The employer contribution rate is agreed by the RCPS Board of Management on the recommendation of the Government Actuary's Department (GAD) and is set at 26.0% of pensionable pay. During 2014-15 employee contribution rates varied between 1.5% and 8.85% depending on scheme and annual pensionable earnings (see table below). NERC paid costs in the year of £19,519k (2013-14: £19,046k). As at 31 March 2015 there were 2,318 NERC members of these schemes (2,298 as at 31 March 2014).

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".

The last formal actuarial valuation undertaken for the RCPS as at 31 March 2006 was completed in 2008-09.

Subsequently however, formal actuarial valuations for unfunded public service pension schemes were suspended by HM Treasury on value for money grounds while consideration was given to recent changes to public service pensions and while future scheme terms are developed as part of the reforms to public service pension provision. Formal valuations have been re-introduced effective from 31 March 2012 for all unfunded public service schemes. The RCPS is currently awaiting its valuation report from the Government Actuary's Department. The primary purpose of the formal actuarial valuations is to set employer and employee contribution rates, and these are currently being determined under the new scheme design.

On 1 April 2015 PCSPS launched a new pension scheme called Alpha. This scheme is similar to the Nuvos career average scheme but with the retirement age aligned to the state pension age. RCPS cannot at present create a by analogy Alpha scheme as the legislation does not currently permit this. Reform options are currently being discussed with HM Treasury and BIS have given permission for RCPS to continue 'as is' beyond 1 April 2015. In line with previous PCSPS employee rate changes, RCPS has introduced the new contribution rate used by the alpha scheme effective 1 April 2015. These are detailed below along with those for the previous year:

Annual pensionable earnings (full-time equivalent basis)	Classic Scheme contribution %		Classic Plus, Premium & NUVOS Scheme contribution %	
	1 April 2014	1 April 2015	1 April 2014	1 April 2015
Up to £15,000	1.50	3.00	3.50	4.60
£15,001 - £21,000	3.00	4.60	5.00	4.60
£21,001 - £30,000	4.48	5.45	6.48	5.45
£30,001 - £47,000	5.27	5.45	7.27	5.45
£47,001 - £50,000	5.27	7.35	7.27	7.35
£50,001 - £60,000	6.06	7.35	8.06	7.35
£60,001 - £150,000	6.85	7.35	8.85	7.35
Over £150,000	6.85	8.05	8.85	8.05

As an alternative to the RCPS a Partnership Pension Account was made available to new recruits from 1 October 2002. It is based on the portable Stakeholder Pension introduced by the Government in 2001. This is a defined contribution scheme. The employers pay the RCPS 0.8 percent of pensionable pay to cover death in service and ill health benefits. The employers pay an age related contribution to the employee's private pension provider. As at 31 March 2015 there were 36 NERC members of these schemes (40 as at 31 March 2014).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age or immediately on ceasing to be an active member of the scheme if they are already at or over pensionable age. Pensionable age is 60 for members of the classic, classic plus and premium scheme arrangements and 65 for members of Nuvos. For the new alpha scheme this would be the member's state pension age.

For further details about the Research Councils Pension Scheme pension arrangements can be found at the website **http://jsspensions.nerc.ac.uk/**

The Council also paid contributions during the year to a number of other multi-employer pension schemes for specific groups of employees, as at 31 March 2015 there were 8 NERC members of these schemes (8 as at 31 March 2014); details of these schemes are shown below:-

Scheme	Rate of contribution	Year of last valuation
Merchant Navy Officers' Pension Fund	20%	2012
Merchant Navy Ratings' Pension Fund	2%	2014
Merchant Navy Ratings Group Personal Pension Plan(i)	4%	n/a

(i) A rate of 2% is applicable for employees who are also members of the MNRPF scheme.

Merchant Navy Officers' Pension Fund
The Merchant Navy Officers' Pension Fund (New Section) was subject to an actuarial valuation as at 31 March 2012, which showed an improved deficit position compared to 31 March 2009. In 2010 NERC made a one off payment of £2,818k in full settlement of our share of the deficit based on the 31 March 2009 valuation. The NERC element of the scheme was fully funded and no liability in respect of the 31 March 2012 valuation was outstanding at 31 March 2015.

Merchant Navy Ratings' Pension Fund
The Merchant Navy Ratings' Pension Fund (MNRPF) closed on 31 May 2001. On closure of the fund members transferred to the RCPS or the new Merchant Navy Ratings' Pension Plan (MNRPP), a money purchase scheme, which was wound up and replaced by the Merchant Navy Ratings Group Personal Pension Plan (MNRGPP) in 2010.

An actuarial valuation was undertaken as at 31 March 2014, which showed an increased deficit compared to the previous valuation undertaken in 2011. In February 2015 the High Court ruled that the MNRPF Trustees can implement a 'New Regime' for payment of deficit contributions. However, in 2010 NERC made a one off lump sum payment of £2,724k in respect of settlement of the NERC and BAS deficit reduction amounts due under the Schedule of Contributions (based on the 2008 valuation) up to and including 31 March 2021. Therefore at 31 March 2015 the NERC element of the scheme in respect of the 31 March 2008 valuation was fully funded and no current liabilities existed.

Merchant Navy Ratings Group Personal Pension Plan
The Merchant Navy Ratings Group Personal Pension Plan (MNRGPP) has replaced the MNRPP in 2010. Members' funds built up in the MNRPP and contributions to the MNRGPP are invested in individual pension policies.

6. Staff exit costs [(i)]

Resource costs for staff exit packages	2015 £000	2014 £000
Redundancy compensation payments	1,296	577
Early retirement lump sums	142	309
Resource costs packages agreed	1,438	886
(Decrease)/increase early retirement liability	(26)	2
Total costs	1,412	888

Exit package band	Exit package cost band	Total number of exit packages by cost band [(i)]
1	<£10k	6
2	£10k-£25k	8
3	£25k-50k	11
4	£50k-£100k	11
5	£100k-£150k	1
6	£150k-£200k	-
7	>£200k	-
Total exit packages agreed		**37**
		£000
Total costs of resource exit packages agreed [(ii)(iii)]		**1,394**

Notes
(i) All payments were within contracted entitlement. There were no compulsary redundancies.
(ii) Full costs of all exit packages agreed during the year, including those costs that are covered by the release of provisions as per Note 14. These costs will therefore differ from the amounts charged.
(iii) The highest exit package agreed during the year was for £126k. The lowest exit package agreed during the year was for £5k. The median of all exit packages agreed was £33k.

7. Grants and training awards

	2015 £000	2014 £000
Research grants	119,549	120,087
Research contracts	45,257	61,312
Post Graduate training awards	24,057	20,741
Total grants and training awards [(i)]	188,863	202,140

Note
(i) As per NERC's Strategic Plan the Post Graduate training awards have increased.

8. Other operating costs

	2015 £000	2014 £000
Rent and rates	1,046	990
Maintenance, cleaning, heating and lighting	10,409	9,361
Office supplies, equipment, printing and stationery	3,121	4,791
Laboratory supplies and field equipment	14,811	11,375
Information technology	5,730	7,395
Postage, telephone and other telecommunications	1,693	1,618
Community meeting costs (i)	485	449
Audit fees (ii)	80	80
Travel and subsistence	8,386	8,667
Ships and aircraft operations	19,731	20,815
External training	2,083	1,709
UK SBS operating costs (iii)	6,047	5,933
International subscriptions	2,923	3,250
Professional and research services by outside bodies (iv)	21,550	22,177
Decrease in allowance for receivables	(110)	(280)
	97,985	98,330

Notes
(i) Community meeting costs include room hire, accommodation and catering costs for meetings, workshops and conferences.
(ii) The costs for audit fees consists of NAO statutory audit fee of £80k (2013-14: £80k).
(iii) UKSBS operating costs for 2014-15 include notional costs of £5,890k (2013-14: £5,890k) for services such as procurement, information technology, finance, payroll, grants and recruitment that have been paid by BIS directly to UK SBS - see also Note 3.
(iv) The cost for professional and research services by outside bodies includes RCUK charges, research library costs and cross-council research activities.

9a. Property, plant and equipment

Cost or valuation	Land, buildings and Antarctic stations[i] £000	Fixtures and Fittings £000	IT Equipment £000	Plant and Machinery £000	Transport[ii] £000	Total £000
At 1 April 2014	327,525	564	9,476	74,064	292,699	704,328
Additions	694	48	1,250	6,766	4,340	13,098
Capitalisation	1,808	11	365	7,624	5,213	15,021
Revaluation	12,832	25	152	3,063	6,181	22,253
Reclassification (iii)	(218)	-	(593)	91	-	(720)
Disposals (iv)	-	(287)	(2,552)	(8,651)	(870)	(12,360)
Impairment (v)	(1,004)	-	-	(161)	-	(1,165)
At 31 March 2015	341,637	361	8,098	82,796	307,563	740,455
Depreciation						
At 1 April 2014	118,229	459	4,717	32,346	129,553	285,304
Charge for the year	9,587	83	1,457	10,550	13,814	35,491
Revaluation	4,855	4	135	1,369	1,550	7,913
Reclassification (iv)	(2)	-	(116)	(7)	-	(125)
Disposals (iv)	-	(287)	(2,330)	(8,091)	(827)	(11,535)
Impairment	(183)	-	-	(96)	-	(279)
At 31 March 2015	132,486	259	3,863	36,071	144,090	316,769
Net Book Value At 31 March 2015	**209,151**	**102**	**4,235**	**46,725**	**163,473**	**423,686**
At 1 April 2014	209,296	105	4,759	41,718	163,146	419,024

Notes

(i) Cost or valuation includes £21,291k in respect of Freehold Land which is not depreciated (2013-14: £20,658k).

(ii) The NBV of the leased ship is £15,451k (2013-14: £17,845k). The annual depreciation charge on this asset held under the finance lease was £3,434k (2013-14: £3,216k). n addition, two assets were reclassified from Land & Buildings to Held for Sale.

(iii) Reclassifications include solar panels and software licenses previously misclassified. In addition, two assets were reclassified from Land & Buildings to Held for Sale.

(iv) During the year a full scale asset verification exercise took place resulting in the identification of a number of assets which had either been lost or damaged. As a result losses amounting £305k were recognised within the Plant and Machinery category and £28k within the IT Equipment category relating to the loss or write off of 27 and 3 assets respectively. NERC conducts research activity in extreme environments across the globe. Asset loss is an accepted risk.

(v) The land & buildings impairment relates to ancillary buildings at Halley VI. Due to the movement in the ice shelf the Halley station will need to be relocated with work scheduled to begin at the start of next Antarctic season. This will include demolishing the non-mobile ancillary buildings, which therefore have no value in use. The plant & equipment impairment relates to the dismantling of a NOC sensor array and represents the construction costs that will no longer reap future economic benefits for NERC. The fixed asset register for this asset has been adjusted downward to only reflect the array instruments which have been redeployed.

Cost or valuation	Land, buildings and Antarctic stations £000	Fixtures and Fittings £000	IT Equipment £000	Plant and Machinery £000	Transport £000	Total £000
At 1 April 2013	313,892	619	9,740	62,509	190,277	577,037
Additions	1,265	(3)	1,795	11,382	11,777	26,216
Capitalisation	1,695	-	85	1,786	71,097	74,663
Revaluation	15,560	14	233	3,054	21,550	40,411
Reclassification	(4,237)	-	-	-	-	(4,237)
Disposals	(23)	(66)	(2,377)	(4,667)	(703)	(7,836)
Impairment	(627)	-	-	-	(1,299)	(1,926)
At 31 March 2014	327,525	564	9,476	74,064	292,699	704,328
Depreciation						
At 1 April 2013	106,925	389	4,931	27,120	110,920	250,285
Charge for the year	8,586	128	2,070	8,890	11,007	30,681
Revaluation	4,875	8	91	901	8,369	14,244
Reclassification	(1,867)	-	-	-	-	(1,867)
Disposals	(20)	(66)	(2,375)	(4,565)	(514)	(7,540)
Impairment	(270)	-	-	-	(229)	(499)
At 31 March 2014	118,229	459	4,717	32,346	129,553	285,304
Net Book Value At 31 March 2014	**209,296**	**105**	**4,759**	**41,718**	**163,146**	**419,024**
At 1 April 2013	206,967	230	4,809	35,389	79,357	326,752

9b. Assets Under the Course of Construction

Cost or valuation	Land, buildings and Antarctic stations £000	Fixtures and Fittings £000	IT Equipment £000	Plant and Machinery £000	Transport £000	Total £000
At 1 April 2014	1,682	11	348	7,925	1,189	11,155
Additions	7,013	-	667	2,536	5,065	15,281
Capitalisation	(1,808)	(11)	(365)	(7,624)	(5,213)	(15,021)
At 31 March 2015	6,887	0	650	2,837	1,041	11,415
At 1 April 2013	1,693	-	85	2,149	70,504	74,431
Additions	1,684	11	348	7,562	1,782	11,387
Capitalisation	(1,695)	-	(85)	(1,786)	(71,097)	(74,663)
At 31 March 2014	1,682	11	348	7,925	1,189	11,155

9c. Investments

Cost or valuation	'NGD' share UK SBS Ltd £	IGS Ltd Shares £	Total £
At 1 April 2013	1	124,969	124,970
Impairment	-	(48,953)	(48,953)
Losses	-	-	-
Shares sold	-	-	-
At 31 March 2014	1	76,016	76,017
Impairment reversal	-	18,437	18,437
Losses	-	-	-
Shares sold	-	-	-
At 31 March 2015	1	94,453	94,454

'NGD' share UK SBS Ltd

At 31 March 2015 BIS hold both a Government Department ('GD') share carrying 51% of the votes and the deferred Employee Engagements share (previously held by UK SBS Ltd) carrying 5% of the votes. All other stakeholders including NERC each own one Non-Government Department ('NGD') share with nominal value of £1, with the combined voting value of all the 'NGD' shares being 44%.

IGS Ltd

NERC has one shareholding in an unlisted undertaking IGS Ltd, in which it holds a non-controlling interest of 22.64%. The shareholding was revalued upwards during 2014/15 to reflect the NERC share of the shareholders fund as per IGS Ltd accounts for the year ended 31 December 2014.

Unlisted Investments

NERC holds shares or membership status in the following unlisted ventures whose accounts, by virtue of NERC's non-controlling interest or the relative financial immateriality of these entities, are not consolidated into NERC's financial statements.

Venture	Market Sector	Equity	Remarks
UK Shared Business Services Limited (UK SBS Ltd)	Shared Services	5%	See above
International Geosciences (IGS) Ltd	International geoscience and geothematic surveys	23%	The investment has been revalued upwards to fair value of £94,452, therewith reversing part of impairment from 2013/14.
Wallingford Hydrosolutions Ltd	Consultancy and environmental software systems.	25%	
Microbial Solutions Ltd	Wastewater treatment technology.	33%	
Spectrum (General Partner) Ltd	Advisory board to Rainbow Seed Fund which provides early stage funding for commercialisation of technology and services.	19%	Dormant
Oxford Expression Technologies Ltd	Products and services to pharmaceutical and biotechnology industries.	14%	

10. Intangible Fixed Assets

Cost or Valuation	Software Licenses £000
At 1 April 2014	375
Additions	642
Revaluation	27
Reclassification(i)	642
Disposals	-
At 31 March 2015	1,686
Amortisation	
At 1 April 2014	164
Amortisation for the year	252
Revaluation	6
Reclassification(i)	125
Disposals	-
At 31 March 2015	547
Net Book Value At 31 March 2015	**1,139**
At 1 April 2014	211

Note
(i) Reclassifications include a number of software licenses that had been misclassified within the IT equipment category.

Cost or Valuation	Software Licenses £000
At 1 April 2013	295
Additions	177
Revaluation	7
Disposals	(104)
At 31 March 2014	375
Amortisation	
At 1 April 2013	178
Amortisation for the year	88
Revaluation	2
Disposals	(104)
At 31 March 2014	164
Net Book Value At 31 March 2014	**211**
At 1 April 2013	117

11. Assets held for sale

	Bidston site [iii] £000	Gilmerton Core Store [ii] £000	Kempston Street site [i] £000	Meathop Wood [iv] £000	Total £000
Net cost or valuation					
At 1 April 2014	-	-	70	-	70
Transfer in	-	-	-	78	78
Revaluation	-	-	-	-	-
Disposal	-	-	(70)	-	(70)
Impairment	-	-		-	-
Net Book Value at 31 March 2015	**-**	**-**	**-**	**78**	**78**
Net cost or valuation					
At 1 April 2013	70	-	-	-	70
Transfer in	-	2,300	70	-	2,370
Revaluation	(25)	-	-	-	(25)
Disposal	-	(2,300)	-	-	(2,300)
Impairment	(45)	-	-	-	(45)
Net Book Value at 31 March 2014	**-**	**-**	**70**	**-**	**70**
Net Book Value at 1 April 2013	70	-	-	-	70

Notes

(i) Buildings and land owned at the Kempston Street site, Liverpool. These assets were reclassified from the property, plant and quipment category to held for sale at 31 March 2014 and the sale of this property was subsequently completed during April 2014.

(ii) During 2013-14 the former Core Store at Gilmerton Road Edinburgh was transferred to assets held for sale prior to its sale in December 2013.

(iii) During 2013-14 the buildings and land owned at the Bidston site was revalued to nil as it was no longer probable that the disposal of this site would result in any net proceeds for NERC. This revaluation included a £45k impairment of the Proudman plots. The sale of these properties was completed during April 2015.

(iv) This site is no longer required by CEH. It has been declared surplus and plans set in place to either transfer it to another government body or to otherwise sell it. This is expected to occur within the next 12 months.

12. Receivables

	£000	2015 £000	£000	2014 £000
Current assets: trade and other receivables				
Trade receivables		**7,038**		9,616
Cross-Council receivables		**29**		6
Other receivables		**232**		1,209
Prepayments (i)		**2,879**		5,882
Accrued income		**11,128**		10,141
Provision for receivables		**(37)**		(147)
		21,269		26,707
Non-current receivables: trade and other receivables				
Other receivables		**69**		75
Total receivables		**21,338**		26,782
Intra-government balances: current and non-current assets				
Central Government Bodies	4,240		7,182	
Local Authorities	218		109	
Sub-total intra-government balances		**4,458**		7,291
Balances with bodies external to government		**16,880**		19,491
Total receivables		**21,338**		26,782

Note
(i) Prepayments are due to contracted obligations, such as research grants, international subscriptions, license & maintenance costs and Integrated Ocean Drilling Programme subscription costs.

13. Payables

	£000	2015 £000	£000	2014 £000
Current liabilities: trade and other payables				
Trade payables		**7,366**		8,525
Cross-Council payables		**1,895**		135
Other payables		**80**		161
Taxation & Social Security		**2,023**		2,122
VAT payable		**903**		733
Accruals		**33,101**		36,524
Deferred income		**14,674**		22,333
Obligation under finance leases		**1,158**		1,594
		61,200		72,127
Non-current liabilities: trade and other payables				
Obligation under finance leases		**4,632**		5,790
Total payables		**65,832**		77,917
Intra-government balances: current and non-current payables				
Central Government Bodies	10,302		13,056	
Local Authorities	88		4	
Sub-total intra-government balances		**10,390**		13,060
Balances with bodies external to government		**55,442**		64,857
Total payables		**65,832**		77,917

14. NERC Provisions for liabilities and charges [i]

	Antarctic Treaty costs [ii] £000	Early Retirements £000	Other liabilities [iii] £000	CEH restructuring [iv] £000	Total £000
Provision at 31 March 2013	4,822	3,043	251	1,980	10,096
Changes in provisions for 2013-14:					
Change in discount rate	(23)	23	-	23	23
Write back of provisions not required	(36)	-	-	(18)	(54)
Amounts provided in year	-	2	9	-	11
Unwinding of discount	44	71	(4)	21	132
Provision utilised in year	-	(2,792)	(39)	(596)	(3,427)
Provision at 31 March 2014	**4,807**	**347**	**217**	**1,410**	**6,781**
Changes in provisions for 2014-15:					
Change in discount rate	28	6	(1)	11	44
Write back of provisions not required	-	(26)	-	(6)	(32)
Amounts provided in year	750	-	345	-	1,095
Unwinding of discount	55	6	(4)	11	68
Provision utilised in year	-	98	(72)	(492)	(466)
Provision at 31 March 2015	**5,640**	**431**	**485**	**934**	**7,490**

Notes
(i) The discount rate used is 1.30% for pension provisions (2013-14: 1.80%). For all other provisions the discount rate is -1.5% for 0-5 years, -1.05% for 6-10 years and 2.2% for over 10 years (2013-14:-1.9% for 0-5 years, -0.65% for 6-10 years and 2.2% for over 10 years).
(ii) Antarctic Treaty costs represent the Council's liability to remove any items from the Antarctic no longer used.
(iii) Other liabilities include claims made against NERC and the costs for vacated sites.
(iv) CEH restructuring costs include NERC's liability for CEH staff restructuring and staff removal costs.

Analysis of expected timing of discounted cashflows

	Antarctic Treaty costs £000	Early Retirements £000	Other liabilities £000	CEH restructuring £000	Total £000
Provision due within one year	-	169	289	442	900
Between one and five years	956	259	196	492	1,903
Between five and ten years	-	3	-	-	3
Thereafter	4,684	-	-	-	4,684
Provision at 31 March 2015	**5,640**	**431**	**485**	**934**	**7,490**
Provision due within one year	-	(89)	217	491	619
Between one and five years	779	424	-	847	2,050
Between five and ten years	1,244	12	-	72	1,328
Thereafter	2,784	-	-	-	2,784
Provision at 31 March 2014	**4,807**	**347**	**217**	**1,410**	**6,781**

15. Contingent liabilities

The value of contingent liabilities at 31 March 2015 is estimated at £299k (2013-14: £127k). The majority of these relate to legal claims made against NERC where based on legal advice sought it is not deemed probable that these will lead to future outflows of resources.

16. Cash and cash equivalents

	£000	2015 £000	£000	2014 £000
Government Banking Service				
National Westminster clearing accounts	(134)		(24)	
Citibank	2,062		9,070	
		1,928		9,046
Commercial bank accounts				
Lloyds TSB	104		253	
National Bank of Abu Dhabi	334		297	
Other local commercial accounts	233		91	
		671		641
Total [(i)]		2,599		9,687

Note
(i) In addition to the above NERC holds the following monies on behalf of 3rd parties: £3,520k (2013-14: £5,785k) held on behalf of EU Programme Collaborators and £1,638k (2013-14: nil) held on behalf of other Research Councils re Newton funding.

17. Commitments

Forward commitments on approved grants and training awards

	Total £000
As at 31 March 2015	
Within one year	158,064
Between one and five years	152,934
Thereafter	65
	311,063
As at 31 March 2014	
Within one year	183,118
Between one and five years	160,084
Thereafter	167
	343,369

Finance lease obligations

	Payments £000	Interest £000	Net payments £000
As at 31 March 2015			
Within one year	1,596	438	1,158
Between one and five years	5,320	688	4,632
Thereafter	-	-	-
	6,916	**1,126**	**5,790**

	Payments £000	Interest £000	Net payments £000
As at 31 March 2014			
Within one year	2,134	540	1,594
Between one and five years	6,384	1,117	5,267
Thereafter	532	9	523
	9,050	**1,666**	**7,384**

Operating lease commitments

	Buildings £000	Other £000	Total £000
As at 31 March 2015			
Within one year	266	56	322
Between one and five years	201	52	253
Between five and ten years	10	-	10
Over ten years	50	-	50
	527	**108**	**635**

	Buildings £000	Other £000	Total £000
As at 31 March 2014			
Within one year	247	76	323
Between one and five years	301	40	341
Between five and ten years	19	-	19
Over ten years	138	-	138
	705	**116**	**821**

Capital commitments
As at the date of these accounts, NERC is committed to a sum of £8,752k in respect of capital contracts, which includes: £7,090k for the new BGS Lyell Centre Building located on Heriot-Watt University Edinburgh's campus due to be completed in 2016-17.

International subscriptions
NERC has commitments of £2,080k for international subscription costs, which include £1,950k for the Integrated Ocean Drilling Programme for the period to 31 December 2015.

Bonds and guarantees
The Council has a number of bonds and guarantees that are lodged with Lloyds Bank and relate to overseas contracts, amounting to £980k at 31 March 2015 (2013-14: £1,866k). The costs of these bonds and guarantees are born by external customers.

18. Related party transactions

The Natural Environment Research Council (NERC) is a non-departmental public body (NDPB) sponsored by the Department for Business, Innovation and Skills (BIS).

BIS is regarded as a related party. During the year, NERC has had various material transactions with BIS and with other entities for which BIS is regarded as the parent Department, viz: Engineering and Physical Sciences Research Council, Biotechnology and Biological Sciences Research Council, Science and Technology Facilities Council, Medical Research Council, Economic and Social Research Council, Arts and Humanities Research Council, Innovate UK, Higher Education Funding Council for England and UK Space Agency.

NERC has had various transactions with other Government departments and other central Government bodies. NERC has also entered into various transactions with the UK Shared Business Services Ltd.

During the year NERC made payments under awards or contracts to Council members as follows:

Council Member	Number of Awards or Contracts	Amount £000
Professor C Godfray CBE	3	239
Professor L Heathwaite	1	19
Professor G Mace CBE	1	5
Professor P Monks	2	161
Professor A Watson	3	501

None of the above mentioned related parties were involved in the approval of awards to the Institution where he/she is a senior member of the staff.

In addition, NERC made the following aggregated payments in respect of NERC funded awards or contracts to Institutions where Council members are also senior members of staff.

Institution	Amount £000	Related Party
University of St Andrews	2,604	Professor I Boyd
University of Oxford	8,075	Professor C Godfray CBE
Lancaster University	3,848	Professor L Heathwaite
University College London	5,571	Professor G Mace CBE
University of Leicester	4,142	Professor P Monks
Cranfield University	1,217	Professror I Poll OBE
Met Office	994	Professor Dame Julia Slingo DBE
University of Exeter	6,064	Professor A Watson

19. Losses and special payments

During the year there were 66 items totalling £444k as follows:

Type	Number	Amount £000
Stores losses [(i)]	30	333
Fruitless Payments [(ii)]	3	9
Claims abandoned [(iii)]	31	10
Other Ex-Gratia Payments [(iv)]	2	92
	66	**444**

Notes
(i) Store losses consist of 30 assets lost or damaged during normal operations as identified by the full scale asset verification exercise undertaken during the year.
(ii) Fruitless payments were for payments for the hire of a venue at a conference centre, a hotel booking and a training course.
(iii) Claims abandoned are bad debts and administrative losses written off as unrecoverable.
(iv) Ex gratia payments were for the settlements of two legal cases against NERC.

There were no reportable losses for the 2013-14 financial year.

20. Events after the reporting period

In accordance with the requirements of IAS 10 '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 and Report of the Comptroller and Auditor General. There are no post Statement of Financial Position events between the balance sheet date and this date.

21. Derivatives and other financial instruments

IFRS 7 Financial Instruments - Disclosures, IFRS 32 Financial Instruments - Presentation and IFRS 39 Financial Instruments – Recognition and Measurement require disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Due to the largely non-trading nature of its activities and the way it is financed, the Council is not exposed to the degree of financial risk faced by non-public sector entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IFRS 7, 32 and 39 mainly apply. The Council has limited powers to borrow or invest funds and except for the finance lease contract (details of which are given in notes 1(v), 9(a) and 17), 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 grant-in-aid from its sponsor department, the Department for Business, Innovation and Skills. The capital expenditure, with the exception of the ship financed under the finance lease referred to above, is also financed through grant-in-aid. The Council is therefore not exposed to significant liquidity risks.

Interest rate risk
The Council is not exposed to significant interest rate risk.

Foreign currency risk
NERC is subject to foreign currency risk through the maintenance of bank accounts in foreign currencies (predominantly the EUR and USD) to deal with overseas transactions. At 31 March 2015 NERC held £723k denominated in EUR and £629k denominated in USD. A shift of +/-5% in the EUR/GBP or USD/GBP foreign exchange rates would not result in a material unrealised foreign exchange gain or loss.

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ISBN 978-1-4741-1781-4