



Science & Technology
Facilities Council

**ANNUAL REPORT
& ACCOUNTS**

2015-2016

Science and Technology Facilities Council Annual Report and Accounts 2015-16

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

Ordered by the House of Commons to be printed on 19th July 2016.

HC 378

© Science and Technology Facilities Council copyright 2016

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

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

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

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

Print ISBN 9781474131377

Web ISBN 9781474131384

ID 18041601 07/16 07/16

Printed on paper containing 75% recycled fibre content minimum

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

CONTENTS

PERFORMANCE REPORT 4

PERFORMANCE ANALYSIS 8

ACCOUNTABILITY REPORT 14

AUDIT REPORT 39

THE FINANCIAL STATEMENTS 43

NOTES TO THE FINANCIAL STATEMENTS 47

PERFORMANCE REPORT

OVERVIEW

CHAIRMAN'S FOREWORD

Welcome to the 2015-16 Annual Report and Accounts of the Science and Technology Facilities Council (STFC).

Over the past year, working in partnership with the research community and with organisations across the research landscape, STFC has significantly strengthened the UK's global reputation for excellent science and innovation.

UK researchers have played leadership roles in world class discoveries while a focus on innovation has ensured we harness the full economic and societal benefit of new knowledge.

I would also like to put on record my thanks to Professor John Womersley, who will be leaving STFC in October 2016 to become the next Director-General of the European Spallation Source (ESS). We will be sad to see him leave, but the ESS is Europe's largest science project and John's appointment is testament not only to his high standing but to the strong reputation of STFC's science.

During his 11 years of dedicated service with STFC, including five as Chief Executive, John has overseen our involvement in many significant accomplishments, including the discovery of the Higgs boson in 2012, the first detection of gravitational waves in 2015, and breakthroughs in healthcare, clean energy, security, environment and more, as well as the successful development of our two Science and Innovation Campuses.

He leaves STFC in an extremely strong position following another immensely successful year. A year in which our science has been instrumental in tackling ongoing global challenges and has had a powerful, positive and lasting impact on the UK economy and our quality of life.

Professor Sir Michael Sterling FEng



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

CHIEF EXECUTIVE'S STATEMENT

STFC's research is globally leading. We push the boundaries of scientific endeavour, deliver measurable, positive impact for the UK, and our frontier research in astronomy, particle physics and nuclear physics ranks first in the world as measured by citation impact.

We collaborate extensively and increasingly with industry to realise the full potential of our discoveries. We develop a culture of innovation required to grow high-tech business and our strategic investments underpin established sectors vital to the UK economy.

Our focus on skills, and our support for multidisciplinary research, is producing the talented scientists, engineers and technicians required to tackle global challenges spanning energy, healthcare, climate change and security. Our public engagement programmes inspire the next generation to take their first steps in rewarding careers vital to the economy.

In 2015-16, we delivered world class research, innovation and skills - the goals at the heart of our strategy - and we continued to realise our vision "to maximise the impact of our knowledge, skills, facilities and resources for the benefit of the UK and its people".

On 14 September 2015, the first detection of gravitational waves was made by the Laser Interferometer Gravitational-Wave Observatory (LIGO) – the most precise measuring device ever built. This monumental discovery would not have been possible without UK expertise and technology. It confirmed the final major prediction of Einstein's theory of general relativity and opens a whole new window for observing the Universe.

STFC manages the UK's involvement in major international science collaborations and 2015-16 demonstrated their ongoing importance to science and global influence. The upgrade to CERN's Large Hadron Collider promises further breakthroughs in particle physics and the UK was selected to host the headquarters of the Square Kilometre Array (SKA), an international collaboration to create the world's largest telescope. SKA will allow us to look deeper into the history of the Universe and will drive transformative technological developments in the era of big data.

The Harwell and Sci-Tech Daresbury Campuses, centred on our world class national laboratories, continue to grow and thrive. They now host more than 300 enterprises and support more than 6,000 jobs by providing optimal conditions for growth.

In 2015, the Government invested a further £115.5 million in STFC's Hartree Centre, based at Sci-Tech Daresbury. IBM further supported the cognitive computing centre with a package of technology and expertise worth up to £200m.

The year also saw the European Space Agency's Business Incubation Centre, managed and co-funded by STFC, celebrate five years of helping entrepreneurs turn space technology into profitable businesses. Based at the Harwell Campus, it has supported more than 50 space technology start-ups launched in the UK.

These successful business incubation models, pioneered by STFC, will be extended with the construction of the £10.7m Higgs Centre for Innovation in Edinburgh, linking expertise at STFC's UK Astronomy Technology Centre with industry.

We continued to invest in the future of science attracting young people to follow careers in science, technology, engineering and mathematics (STEM). We invested £23.4m in postgraduate training in 2015-16 and support a total cohort of more than 750 PhD students and 40 apprentices.

It has been a hugely successful 12 months. We are now focussed on achieving further success in the year ahead.

Professor John Womersley



A handwritten signature in black ink that reads "W. John Womersley". The signature is written in a cursive, flowing style.

STATEMENT OF STFC'S PURPOSE AND ACTIVITIES

The Science and Technology Facilities Council (STFC) is one of seven UK Research Councils. Our research seeks to understand the Universe from the largest astronomical scale to the tiniest constituents of matter, yet creates impact on a very tangible level. STFC's vision is to maximise the impact of our knowledge, skills, facilities and resources for the benefit of the United Kingdom and its people. In 2010, we set out our ten-year Corporate Strategy¹ to deliver this vision, through our three strategic goals of delivering world-class research, world-class innovation, and world-class skills.

We deliver our goals through three distinct but interrelated functions. Firstly, we support world-leading, frontier research with our university partners in particle physics, astronomy, nuclear physics, accelerator physics, and space science. Secondly, by providing access to large-scale scientific facilities both in the UK and internationally, we support interdisciplinary research that spans a range of physical and life sciences. Thirdly, our Science and Innovation Campuses help businesses thrive by promoting academic and industrial collaboration and encouraging translation of our research to market applications. This range of delivery mechanisms makes us uniquely equipped to play an important part in creating a more prosperous nation, supporting the Government's Productivity Plan².

KEY ISSUES AND RISKS AFFECTING STFC IN DELIVERING OUR OBJECTIVES

As with any large organisation, STFC must manage a series of internal and external challenges in order to deliver our objectives. We do so through a robust risk management framework, reflecting an organisation that operates on an international scale with novel and complex technologies, large-scale investments and major high-profile facilities.

The Government has announced its intention to create a new research funding body by 2018, and STFC is working with other Councils on transitional arrangements. In the interim, we are continuing to ensure the UK delivers world-leading science, which in turn supports economic growth and improves national productivity. We continue to use our brokerage skills to strengthen our relations with industry, academia and other stakeholders and will continue to deliver science of the highest quality.

The key issues we are managing to deliver our objectives include:

- **The changing business environment:** the change environment has introduced a number of risks, around transitional planning for the new research body.
- **Financial management:** consistent with all public sector bodies, STFC continues to work within tight financial constraints and maintains close scrutiny over its financial decisions and performance. A particular challenge is the financial volatility inherent within our cost base (eg, foreign exchange risks, energy costs and cost of materials).
- **Staffing:** we face a challenge in attracting and retaining staff in science, engineering and technology roles, due to lack of pay flexibility compared with the private sector.
- STFC currently relies upon **UK SBS** to perform its back-office processing for human resources, procurement, payroll, finance and grants. In 2015, the Department for Business, Innovation and Skills (BIS) announced that UK SBS is to be disbanded over the next three years, which will require STFC to move to another supplier within that time.
- **Major projects:** we work in an environment of high-value, complex and novel technologies and facilities. A number of major capital initiatives are in progress, including Hartree Phase 3, the European Spallation Source (ESS) and the Square Kilometre Array (SKA). STFC has robust governance structures and a track record for delivering high-end facilities and novel and complex projects.

STFC will continue to play a key role in providing the scientific foundation for a long-term positive impact on the United Kingdom. We will use our capabilities, working with our partners and by prioritising our activities and investments, to address some of the major challenges of the 21st century and maintain the UK's position as the best place in the world to do science.

¹ <https://www.stfc.ac.uk/files/corporate-publications/corporate-strategy-2010-20/>

² https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/443898/Productivity_Plan_web.pdf

STFC FINANCIAL PERFORMANCE

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

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

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

As a non-departmental public body (NDPB), the Council is required to remain within its specific budgeted limits agreed with BIS, under the governance of Resource Accounting and Budgeting (RAB); the regime by which HM Treasury, on behalf of Central Government, ensures public sector spending is satisfactorily controlled.

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

	Resource		Capital	Total
	Programme	Administration		
	£000	£000	£000	£000
Allocation	491,991	11,729	145,146	648,866
Outturn	496,872	11,654	150,028	658,554
In Year (under)/over spend	4,881	(75)	4,882	9,688

Following the necessary accounting policies the financial statements show net expenditure for the year of £626.3m. This is reconciled to the outturn position as shown below:

	Note to the Financial Statements	£000
Net expenditure for the year as per Consolidated Statement of Comprehensive Net Expenditure (CSCNE)		626,341
Annually Managed Expenditure not included in allocation*		(61,858)
Property, plant and equipment (PPE) additions	7	52,196
Intangible asset additions	8	12,140
Net PPE disposal	7	(22)
Asset for held for sale disposal		(678)
Investment additions	10	30,434
Other financial assets additions	11	1
Total Outturn		658,554

* Of the £62m, £36m relates to ISIS decommissioning and £24m relates to the creation of a new provision in respect of the disposal of ISIS legacy waste [see Note 15]

EXPLANATION OF THE ADOPTION OF THE GOING CONCERN BASIS

In March 2016, BIS published *The Allocation of Science and Research Funding 2016/17 to 2019/20*, which shows continued funding for STFC for this period. On the basis of this publication, STFC has no reason to believe that future funding will not be forthcoming. Therefore, STFC's accounts are produced on a going concern basis.

EFFICIENCY

Since 2010, the Research Councils have been implementing an efficiency programme to drive down the overheads associated with research. The efficiency savings derived from this programme are being re-invested in research.

In the spring of 2011, Research Councils UK (RCUK) published *Efficiency 2011-15: Ensuring Excellence with Impact*, describing how the Research Councils would implement the recommendations in Sir William Wakeham's report, *Financial Sustainability and Efficiency in Full Economic Costing of Research in UK Higher Education Institutions*. 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 across all Research Councils for the four-year period up to March 2015 was £396m against the target of £428m. In May 2014, the original four-year programme was extended by one additional year and so will now continue until April 2016; incomplete data for the savings in 2015-16 indicate that the four-year target was met within four-and-a-half years from the start of the programme. The 2015-16 results will be published in 2016-17.

Details can be found in the *RCUK Efficiency Programme Annual Reports 2011-15* available at:

<http://www.rcuk.ac.uk/Publications/policy/Efficiency2011>

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

PERFORMANCE SUMMARY

STFC's high-level performance targets allow us to track our delivery against our three strategic goals of delivering world-class research, innovation and skills. We consistently meet our targets including helping to sustain the UK's global research ranking, developing our campuses and key high-tech clusters on them, and developing our strategic partnerships. Additional targets include organisational improvement through better business processes and planning, and continuing to reduce our costs and improve efficiencies.

PERFORMANCE ANALYSIS

This report covers STFC's ninth year of operation. In 2015-16, STFC reported against seven corporate level targets. All these targets were met in full by the target dates.

- To provide UK academia and industry with access to international world leading science facilities
- To construct a refreshed portfolio for 2015-16 that remains exciting and relevant while sustaining the UK's global research ranking
- To increase the pace of development at both campuses with new STFC and partner facilities
- To continue to work with Innovate UK and UKSA to develop the cluster of space expertise at Harwell that provides the focus of the UK's £9bn space industry
- To further develop our strategic partnerships with IBM and Unilever
- Strengthen and embed strategic, business and financial planning to ensure close alignment of our programmes and finances
- Reduce administrative costs, increase operational efficiencies and seek improved value for money in all our activities

HOW STFC MANAGES PERFORMANCE

Performance against the targets, milestones and metrics defined in STFC's Delivery Plan and Scorecard documents is monitored routinely by BIS through the use of regular reports and a 'traffic light' reporting system. The Scorecard is submitted to BIS for comment and subsequently reviewed by Council on a bi-annual basis. We also have a range of operational performance measures which we monitor through our Operating Plan.

THE DEVELOPMENT AND PERFORMANCE OF STFC DURING 2015-16

Progress against our strategic goals is highlighted below:

WORLD-CLASS RESEARCH

Our frontier research in astronomy, particle physics and nuclear physics ranks first in the world as measured by citation impact. For example, during the reporting year the 2004 *Nature* article, *Dream Beam*, featuring work at our Central Laser Facility (CLF) on the possibility of compact hospital laboratory-scale particle accelerators, exceeded the highly-coveted milestone of 1,000 citations.

STFC-funded researchers contributed to the 2015 Nobel Prize-winning discovery that neutrinos, crucial to the fabric of the Universe, have mass. This discovery was also recognised in the award of £2m for the 2016 Breakthrough Prize for Fundamental Physics.

Our ISIS facility contributed at least £1.4 billion to the UK economy between 1984 and 2014³, from research in areas such as clean energy, healthcare, catalysis and materials engineering, as well as a range of innovation outputs and skills benefits. A further £1bn of impact on the economy is estimated up to 2030.

WORLD-CLASS INNOVATION

The Harwell and Sci-Tech Daresbury Campuses host more than 300 enterprises and support more than 6000 jobs, creating the right conditions for high-tech small and medium-sized businesses (SMEs) to grow. Tenant companies at Sci-Tech Daresbury created more than 107 jobs during the reporting year, saw a 30% growth in sales worth £59m (£199m since 2010), attracted a record £28m of investment (£168m since 2010) and developed 134 new products (656 since 2010).

Government investment of £115.5m was announced during the year into STFC's Hartree Centre. IBM announced it would further support the project with a package of technology and on-site expertise worth up to £200m. This will create a new cutting-edge cognitive computing centre, allowing Hartree to continue to support business. Partnerships already exist with SMEs and large firms such as Unilever, GSK, and Jaguar Land Rover.

We created three new spin-out companies this year: vivaMOS Ltd, who supply sensors for medical and industrial applications; Mirico Ltd, who develop lasers for the medical and environmental markets; and Exa Informatics Ltd, who provide complex data analytics services.

WORLD-CLASS SKILLS

We invested £23.4m in postgraduate training and fellowships in particle physics, nuclear physics, accelerator physics, and astronomy, including 224 new PhD studentships, bringing the current cohort to 766. Working in our frontier science areas gives our students a wide range of transferrable skills: for example, expertise in data intensive science is applicable to both the research base and high-tech industries.

We reached two million members of the public in 2014, including 295,000 school students. Our Harwell Campus Open Week in July 2015 alone attracted more than 16,000 people, with 93% of visitors saying they 'would recommend the event'.

PERFORMANCE TARGETS ACHIEVED

STFC also reports on operational performance targets in our facility operations. The following figures are for 2015-16.

Our ISIS neutron and muon source delivered more than 750 experiments during the year for approximately 1300 individual users and registered a user satisfaction of 90% over a range of 15 indicators, against a target of 85%.

³ ISIS Lifetime Impact Study STFC/Technopolis Group (2015)

Lasers at our CLF include the Octopus, Ultra, Vulcan, Artemis and Gemini systems. In 2015-16, the CLF scheduled 246 weeks of user time (including six weeks of commercial access) for 69 experiments. It recorded a user satisfaction of 99% and reliability of 91.7%, both against a target of 85%.

At Diamond Light Source, in its ninth full year of operation, 5472 external user visits were made by academia and industry, with an additional 3772 remote users, for a total 2032 experiments. The overall user satisfaction rate was 92% against a target of 80%.

During 2015, STFC ensured the UK research community had access to Europe's major research facilities: 20.9% of public access to the neutron source at the Institut Laue-Langevin (ILL) and 11.7% of public access to the European Synchrotron Radiation Source (ESRF), both in Grenoble, France. The Large Hadron Collider (LHC) restarted in 2015 following the first long shutdown, upgrade and maintenance period at CERN. Thanks to this upgrade, the LHC now operates at nearly double its original power - a higher energy and intensity than ever before. In parallel, analysis of previous LHC experiments has continued, with 470 publications each from ATLAS and CMS, 300 from LHCb and 130 from ALICE.

SUSTAINABLE DEVELOPMENT

This is the STFC Sustainability Report, in accordance with HM Treasury (HMT) reporting guidelines for public sector sustainability reporting⁴. This report sets out STFC's UK environmental performance against a common basket of metrics: greenhouse gas emissions, water usage, waste disposal and their corresponding financial data.

In line with HMT sustainability reporting guidelines, STFC facilities located overseas⁵ and STFC shareholdings in scientific facilities (both in the UK and overseas) are excluded from the data presented. STFC recognises the limitations of the dataset and aims to continuously improve environmental reporting.

GREENHOUSE GAS EMISSIONS

Greenhouse Gas Emissions ¹		2012-13	2013-14	2014-15	2015-16	
Non-financial indicators (1000t CO ₂ e)	Total gross emissions	63.23	74.68	66.35	70.29	
	Total net emissions	63.23	74.68	66.35	70.29	
	Gross emissions Scope 1 (direct)	Gas & LPG	3.23	3.32	2.70	2.66
		Owned transport	0.04	0.08	0.09	0.08
		Fugitive Emissions ³	-	1.52	1.51	1.52
	Gross emissions Scope 2 & 3 (indirect)	Electricity ²	59.60	69.25	61.53	65.55
Business travel		0.36	0.50	0.53	0.48	
Related Energy consumption (million kWhr)	Electricity: non-renewable	110.18	128.01	118.3	131.0	
	Electricity: renewable	0	0	0	0	
	Gas	17.58	17.82	14.58	14.42	
	LPG	0.02	0.03	0.02	0.03	
	Other	0	0	0	0	
Financial indicators (£ million)	Expenditure on Energy	8.82	11.35	10.40	10.6	
	CRC Licensed Expenditure	0.72	0.83	1.33	1.17	
	Expenditure on accredited offsets	0	0	0	0	
	Expenditure on business travel	1.27	0.84	0.95	0.92	

Year	Fugative	Business Travel	Gas & LPG	Owned transport	Electricity
2012-13	0	0	3.23	0	59.60
2013-14	0	0	3.32	1.52	69.25
2014-15	0	0	2.70	1.51	61.53
2015-16	0	0	2.66	1.52	65.55

Notes to data

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

² STFC science facilities, for example ISIS, CLF and super computers, account for a large proportion of the STFC's electricity usage. The ISIS neutron science facility accounts for two thirds of STFC electricity consumption. Variation in the number of days ISIS operates due to maintenance and upgrade has a significant impact on STFC electricity consumption.³ Fugitive emissions added as per 2015_16 Treasury guidance.

⁴ See HMT Guidance 2015-16, [Sustainability Reporting in the Public Sector](#)

⁵ Key 2015-16 data for STFC overseas site: ING Canaries: electricity 1,220,750kWh; water 60m³; landfill 2.4tes

STFC greenhouse gas emissions are dominated by the use of electricity. The operation of the ISIS neutron and muon source at the Rutherford Appleton Laboratory (RAL) accounts for some two-thirds of all STFC electricity usage. While the annual electrical consumption is affected by the number of days during which ISIS runs⁶, the facility is constantly looking at ways to reduce consumption. Work was carried out recently on the ISIS water treatment plant which introduced more energy (and water) efficient chillers and pumps, and the cladding of the Target Station 1 experiment hall.

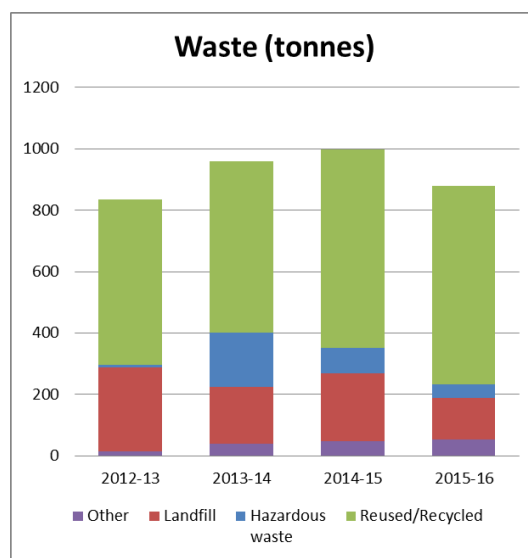
The STFC estates groups have worked across the sites to install energy-efficient lighting and passive infrared sensor (PIR) detectors.

In the area of data-intensive computing - another energy-intensive research area - the organisation's scientific computing department introduced a novel facility which uses direct cooling of server blades with mineral oil.

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

WASTE MANAGEMENT

Waste ¹		2012 13	2013 14	2014 15	2015 16	
Non-financial indicators (tonnes)	Total waste	836	961	998	878	
	Hazardous waste ²	10	177	82	46	
	Non-hazardous waste	Landfill ⁵	271	183	220	134
		Reused/recycled ³	539	559	647	644
		Composted ⁴	16	27	25	19
		Incinerated with energy recovery	-	14	24	35
Incinerated without energy recovery	-	-	-	0		
Financial indicators (£k)	Total disposal cost	45.85	240.69	87.63	92.19	
	Hazardous waste ²	29.17	280.08	55.78	36.86	
	Non-hazardous waste	Landfill	36.23	27.97	36.62	13.83
		Reused/recycled ³	-22.96	-72.62	-8.55	39.05
		Composted	3.41	5.56	3.78	2.45
		Incinerated with energy recovery	-	-	-	0.07
Incinerated without energy recovery	-	-	-	0		



Notes to data

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

² Hazardous waste data includes weight and costs for disposal of radioactive wastes. 2013-14 data includes a shipment of 155 tonnes of active concrete shielding.

³ Variation in the weights of material recycled reflects volumes of scrap metals arising from the disposal or decommissioning of current or past science facilities. Variation in the cost/value of scrap metals is subject to prevailing metal prices. A reduction in the value of scrap metals is the likely cause for charges issued in 2015-16.

⁴ Two STFC sites, Rutherford Appleton and Daresbury Laboratories, recycle unused food waste from their restaurants.

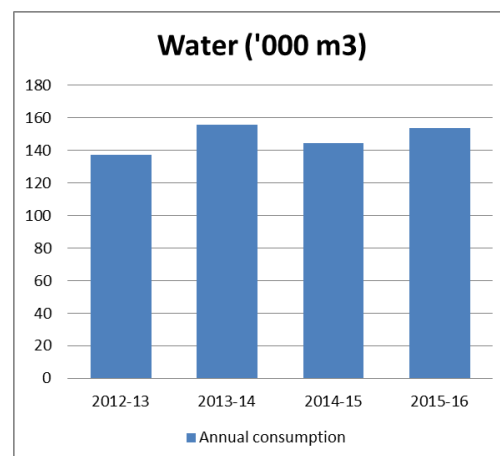
⁵ Excludes waste from large construction projects as there is no mechanism to extract the waste costs from the overall project costs.

STFC's performance in this area is, as a result of its disparate activities, generally variable. There has been, for the first year, a significant reduction in the proportion of waste going to landfill. This is partially due to the improved performance of its waste contractors in relation to diversion of waste from landfill to energy recovery. The introduction of a large 'soft services' contract in the coming year should continue this trend.

⁶ ISIS operating days 2012-13: 104; 2013-14: 174; 2014-15: 102; 2015-16: 176

FINITE RESOURCE CONSUMPTION

Finite resource consumption: Water ¹			2012 13	2013 14	2014 15	2015 16
Non-financial indicators ('000 m ³)	Total consumption		137.16	155.7	144.56	153.61
	Water consumption (office estate)	Supplied	101.53	101.4	105.46	97.51
		Abstracted	0	0	0	0
		Per FTE ²	-	-	-	-
	Water consumption (non-office estate)	Supplied ³	35.63	54.3	39.1	56.1
		Abstracted	0	0	0	0
Financial indicators⁴ (£k)	Total cost		287	272.47	321.16	339.39
	Water supply costs (office estate)		213	175.47	234.29	215.44
	Water supply costs (non-office estate)		75	97.00	86.87	123.95



Notes to data

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

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

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

⁴ Total cost of water supply and disposal.

⁵ Data for 2015_16 includes a number of estimates due to failure of metering equipment and billing issues.

The year saw continued problems with water meter failures and billing issues with utility firms. Work by the new STFC energy manager has resulted in improvements in metering and a move to monthly electronic billing, which should improve the quality of the data in this area.

ENVIRONMENTAL MANAGEMENT

STFC's published Environmental Policy is supported by a documents environmental management system which continues to be developed, consistent with recognised environmental management standards such as ISO14001. STFC personnel at Polaris House, Swindon, are already working under a registered ISO14001 management system managed by the Natural Environment Research Council (NERC). The STFC Environmental Policy was reviewed and reissued by the STFC Chief Executive for 2015-16, and is supported by a focussed set of corporate environmental targets communicated to all staff:

- Agree and report against new EA permit and establish a project for legacy waste disposal at RAL
- Review STFC estate energy usage
- Complete environmental 'duty of care' audits

Following one of the 2014-15 objectives, STFC now has an F-gas register and is collecting data on its fugitive emissions (mostly from air conditioning and refrigeration systems).

Whilst STFC's core focus is on delivering its scientific facilities, it continues to seek environmental improvements where prudent to do so. As a result of an energy audit, we will be trialling voltage optimisation at one of our sites. A project to refurbish one of the large buildings on the Harwell Campus included energy- efficient lighting and PIR motion detection. As mentioned previously, improvements to the water treatment plant serving the ISIS facility allowed for the installation of more energy- and water-efficient equipment. Similarly, a trial of a variable speed compressor on the ALICE test machine, which showed a significant power saving, will be implemented within the CLARA facility currently being built at Daresbury Laboratory (DL).

Finally, in collaboration with Dearman Engineering Ltd and Birmingham University, STFC has been providing cryogenics expertise to help with the development of a novel engine powered by liquid air or liquid nitrogen, with the aim of delivering zero emission power and cooling for refrigerated transport of perishable goods.

Signed:



John Womersley
Accounting Officer
Date: 05 July 2016

ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

DIRECTORS' REPORT

STFC COUNCIL

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

Current membership is as follows:

Prof Sir Michael Sterling FREng (Chair)
Mrs Gill Ball OBE
Dr Brian Bowsher FRSC FInstP
Mr Gerard Connell
Professor Dame Julia Goodfellow DBE, FMedSci, FInstP
Professor Carole Mundell
Professor Jordan Nash FInstP
Professor David Price FGS
Mr Ian Taylor
Prof John Womersley FInstP
Dr Richard Worswick FRSC

Member's biographies and register of interests (see also note 18 Related Parties) can be found on the STFC website <http://www.stfc.ac.uk>

STFC EXECUTIVE BOARD

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

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

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

Current membership is as follows:

Professor John Womersley - CEO
Professor Grahame Blair - Executive Director, Programmes
Dr Tim Bestwick - Executive Director, Business and Innovation
Dr Sharon Cosgrove - Executive Director, Strategy, Planning and Communications
Mr Neil Phimister - Executive Director, Finance
Mr Gordon Stewart - Executive Director, Corporate Services
Dr Andrew Taylor - Executive Director, National Laboratories

AUDITORS

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

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

No non-audit work was undertaken by the NAO during 2015-16.

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

CHARGING

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

FREEDOM OF INFORMATION

During 2015-16 STFC received 43 formal requests for information under the Freedom of Information Act 2000 and responded to most requests within the required 20-day time limit. Five requests required extensions of time. One request was transferred. Two requests for personal information of third parties were refused.

Two internal reviews were conducted and further information was supplied to the applicants. There were no complaints to the Information Commissioner's Office (ICO).

STFC publishes responses to Freedom of Information requests on its website.

The STFC Publication Scheme and Information Charter are available at:

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

HEALTH AND SAFETY

STFC continues to maintain a safe and healthy working environment at its laboratories. The STFC Health and Safety (H&S) Policy was reviewed and re-issued by the STFC Chief Executive, and SHE (safety, health and environment) Committee in 2015-16.

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

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

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

During 2015-16, STFC made further progress in developing its SHE management systems:

- Corporate, STFC-wide annual SHE improvement objectives were communicated to all staff by the STFC Chief Executive, helping to shape departmental SHE improvement plans which provide the focus driving STFC SHE improvement;
- During 2015-16, 11 SHE compliance audits were undertaken to provide independent assurance to senior management on the implementation of the STFC SHE management system and recommend improvements. The documented SHE management system, SHE Codes, continue to be revised and updated to meet audit findings, organisational need, and implementation of good practise;

- STFC continued to invest in the training of its technical managers through its three-day Technical SHE Management Course, operated in-house, based on the STFC SHE management system, which continued to be well received and rolled out across all STFC sites;
- Improved communication on SHE matters remained a key focus - proactively sharing learning from SHE incidents using 'what, why, learning (WWL)' posters, SHE notices, the SHE website, and SHE information posters. During 2015-16, 12 WWL posters and five SHE information posters were distributed across STFC sites; we made continued investment in the department SHE contact (DSC) network and used our successful SHE fairs to engage with staff in a novel way on SHE matters;
- There was significant investment in STFC's bespoke online SHE training, including the installation of an online learning management system, TOTARA Moodle, to manage online training delivery more effectively. During 2015-16 nine new BiteSize SHE code refresher packages were launched, refreshing code awareness;
- An increased focus on health matters resulted in an edition of the STFC in-house newsletter dedicated to mental and physical health matters and support, and the development and launch of simple desk exercise videos; and
- During 2015-16 the STFC SHE group delivered a very extensive programme of classroom and online training courses based on our SHE training catalogue of approximately 60 courses for staff and others working at STFC sites. The programme was developed to meet the needs of a changing staff population and regulatory requirements. More than 4000 course places were delivered on 45 different courses during 2015-16, of which 25% were delivered online.

During 2015-16 the principal STFC laboratories, DL and RAL, jointly received Royal Society for the Prevention of Accidents' (RoSPA) highest accolade, 'Order of Distinction', for their health and safety management practices and overall health and safety performance.

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

STFC injury statistics for the financial years 2014-15 and 2015-16 are presented in the following table.

Statistics	2014 15	2015 16
Total injuries to employees	60	71
Total injuries to contractors	29	20
Total injuries to users/visitors/tenants	10	15
All injuries	99	106
Reportable injuries to employees	3	2
Reportable injuries to contractors	1	2
Reportable injuries to users/visitors/tenants	1	0
All reportable injuries	5	4
Reportable injuries per 1000 employees	1.59	1.04

The total number of injuries to STFC staff, contractors and others working at STFC sites in 2015-16 was 106. In addition to the four RIDDOR reportable injuries, two incidents were reported as reportable dangerous occurrences and are consistent with historic STFC RIDDOR performance.

When STFC was established, liability for employment-related matters and historical liabilities transferred to it from its operational sites. The buildings at these sites date from the period when asbestos was a widely-used building material, primarily in lagging and insulation. Managed early removal exercises were undertaken 20-30 years ago, but there are still significant quantities of asbestos in the fabric of buildings and, in some cases, there are small quantities of debris from previous removal. STFC policy is to manage asbestos in situ and to remove it only where there is a risk that it will be disturbed or it poses some other unacceptable risk. During 2015-16, the Health and

Safety Executive (HSE) issued the STFC with a Notice of Contravention following a RIDDOR reported dangerous occurrence involving the accidental exposure of a contractor, working on the building fabric, to asbestos.

Occupational health teams at STFC sites provide employment and hazard-specific health screening and surveillance, individual lifestyle advice, pre-employment health screening and management of first aid teams. They also continue to participate in and support a range of national health initiatives, including: 'No smoking Day'; 'Know your Numbers' (blood pressure awareness); and other services promoting mental, sexual, traveller and eye health. Hazard-specific health screening has reported no instances of occupational ill-health.

RADIOLOGICAL SAFETY

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

The RPS network has been re-enforced to encourage and develop communication between the RPSs and RPA/RWAs within STFC. The network will assist the RPSs in sharing information and learning experiences. It also provides the RPAs with an opportunity to feed back any information they have acquired from external sources, for example, regulators and continued professional development.

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

Landauer Inc. provides STFC with an HSE-approved dosimetry service, making statutory returns to both HSE's Central Index of Dose Information and Public Health England's National Registry for Radiation Workers. Personal doses continued to be low.

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

DL

DL RPA/RWA is now provided by an in-house RPA/RWA based at RAL. The DL radiation protection officer (RPO) is the first point of contact for radiation issues and responsible for providing operational health physics support for the DL site.

The RPO and RPA continued to provide support to radiation test facilities, including ALICE and the continued commissioning of CLARA. Advice was provided on the content of local rules and prior radiological risk assessments. Radiation surveys were carried out for X-ray-generating equipment and at key radiation test facility commissioning milestones.

The collaboration between STFC, the Department of Nuclear Medicine at the Royal Liverpool Universality Hospital Trust and Liverpool University continues to provide trainee medical physicists with access to advanced medical imaging training outside the hospital environment, thus saving valuable patient time by removing the need for training to be undertaken on hospital equipment.

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

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

An application was made to the EA to vary the DL site permit for open sources and waste, to allow expansion of operations within the medical imaging facility and CLARA. The draft permit has been agreed and it is expected that the permit will be issued in April 2016.

RAL

RPA advice and assistance was provided for a wide range of new experiments, including: MICE; new, or modifications to existing, ISIS Target Station 1 and Target Station 2 beam lines; downstream extracted proton beam 1 refurbishment; radioactive waste management; characterisation of radioactive waste and X-ray- producing equipment critical examinations.

On-going engagement with the EA in respect to radioactive materials accountancy and security continues. Considerable work has been undertaken to complete a Best Available Techniques (BAT) assessment of disposal options and a disposal plan in preparation for establishing a new EA permit for the accumulation and recycling or disposal of legacy and operational radioactive materials and waste. The appointment of additional resource and ongoing improvements in the accountancy and management of radioactive materials and wastes will continue into 2016. The work is still in progress but an acceptable outcome is anticipated.

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

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

Year	Dose (mSv)							Total persons
	0.00-0.09	0.10-0.49	0.50-0.99	1.00-1.99	2.00-2.99	3.00-3.99	>3.99	
2014	339	130	16	16	5	2	0	508
2015	351	125	14	5	1	0	0	496

The dosimetry results are comparable with previous years, but with a decrease in doses in the higher ranges. This result is not unexpected and reflects a decreased radiation work load.

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

The gaseous wastes, mainly tritium and short-lived radioactive nuclides, are discharged into the atmosphere via authorised and monitored ventilation stacks. The annual measured gaseous radiation levels of 250GBq of tritiated water vapor and 7.0TBq of other nuclides were typical of previous years and well within EA permitted annual limits of 2,500GBq and 200TBq respectively.

Annual disposals of solid and liquid radioactive wastes, via approved and licensed disposal routes, from RAL were in compliance with its EA Permit: 1.3GBq tritiated water and 0.35MBq beta/gamma to sewer; 440GBq tritium; and 290MBq beta/gamma solids.

PERSONAL DATA INCIDENTS

During 2015-16 there were no reportable incidents involving personal data. Tables 1, 2 and 3 illustrate this using the structure and format established by the Cabinet Office in 2008-09.

Table 1: Summary of protected personal data related incidents formally reported to the Information Commissioner's Office in 2015 16

Statement on information risk	<p>STFC continues to implement the Security Policy Framework (SPF) as well as identify areas for improvement within its information security environment by aligning to best practice from the likes of the Cyber Essentials Scheme, 10 Steps to Cyber Security and CESG's End User Device Standards. Aspects of information security are independently audited and verified by the Audit and Assurance Services Group (AASG) through the annual HMG Departmental Security Health Check process.</p> <p>Ongoing information security development work and outcomes from a number of independent assurance reviews of information security this reporting year have been used to support and develop known areas for improvement. These include:</p> <ul style="list-style-type: none"> • Identification and training of information asset owners; • Implementation of a range of IT policies and standards; • Implementation of a formal incident management process; • Pilot testing of an intrusion detection/prevention system; • Implementation of an information security quarterly scorecard. <p>STFC has arrangements in place to monitor and assess its information risks and will continue to identify and address any weaknesses and ensure continuous improvements of its systems.</p>			
Date of incident (month)	Nature of incident	Nature of data involved	Number of people potentially affected	Notification steps
NIL	NIL	NIL	NIL	NIL
Further action on information risk	NIL			

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

Table 2: summary of other protected personal data related incidents in 2015 16

Category	Nature of incident	Total
I	Loss of inadequately-protected electronic equipment, devices or paper documents from secured Government premises	NIL
II	Loss of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	NIL
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents	NIL
IV	Unauthorised disclosure	5
V	Other	2

Table 3: year on year total numbers of protected personal data related incidents prior to 2015 16

Total number of protected personal data related incidents formally reported to the Information Commissioner's Office, by category number							Total number of other protected personal data related incidents by category number						
	I	II	III	IV	V	Total		I	II	III	IV	V	Total
2015-16	0	0	0	0	0	0	2015-16	0	0	0	5	2	7
2014-15	0	1	0	0	0	1	2014-15	0	0	0	2	7	9
2013-14	0	0	0	0	0	0	2013-14	0	0	0	4	0	4
2012-13	0	0	0	0	0	0	2012-13	0	0	0	0	0	0
2011-12	0	0	0	0	1	1	2011-12	0	0	0	0	0	0
2010-11	0	0	0	0	0	0	2010-11	0	0	0	0	0	0

POLITICAL AND CHARITABLE GIFTS

In 2015-16, STFC sponsored the Oxford May Music Festival (festival of science, music and art), giving £3000.

STATEMENT OF THE ACCOUNTING OFFICER'S RESPONSIBILITIES

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

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

- observe the Accounts Direction issued by the Secretary of State for BIS, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- make judgements and estimates on a reasonable basis;
- state whether applicable accounting standards as set out in the *FReM* have been followed and disclose and explain any material departures in the financial statements;
- prepare the financial statements on the going concern basis;
- confirm that there is no relevant audit information of which the STFC's auditors are unaware, and has taken all the steps necessary to become aware of any relevant audit information and to establish that STFC's auditors are aware of that information; and
- confirm that the annual report and accounts as a whole is fair, balanced and understandable and take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

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

GOVERNANCE STATEMENT

SCOPE OF RESPONSIBILITY

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

THE PURPOSE OF THE GOVERNANCE STATEMENT

It is fundamental to my Accounting Officer's responsibilities to manage and control the resources in my charge. This Governance Statement brings together the critical activities that I rely upon to gain assurance on day-to-day performance and to make informed decisions. It supplements the accounts, providing a sense of STFC's performance; and of how successfully we cope with the challenges we face now and into the future. In forming this statement I have been supported by the STFC Governance framework which includes the Council, its committees, senior management boards and officials and all STFC staff.

THE ORGANISATION'S GOVERNANCE FRAMEWORK

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

There is a clear structure in place and an underlying stewardship framework to support the outcomes reflected in this statement.

COUNCIL

The role of Council as the most senior body is set out in the Management Statement and its terms of reference. The Council is appointed by the Secretary of State for Business, Innovation and Skills. Council membership is reflective of our stakeholder base with representation from academia, public service and industry.

Council is supported by its sub-groups who are consulted and provide advice in specific areas of business:

- a) Audit Committee – governance, control and risk management
- b) Science Board – scientific strategy
- c) Finance Committee –major new investments and monitor progress
- d) Remuneration Committee – senior staff remuneration
- e) Innovation Advisory Board - STFC's existing and future innovation programme
- f) Skills and Engagement Advisory Board - strategic overview of skills programme.

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

Council meets bi-monthly and during the year Council's main activities included:

- overseeing STFC's strategic direction as reflected in the new Corporate Strategy;
- taking forward recommendations from the Nurse review;
- oversight of the key risks facing STFC;
- overseeing STFC's input to the comprehensive spending review;
- long term financial planning and performance;
- funding of STFC's National Facilities; and
- approval and monitoring of major programmes and projects.

A register of Council Members' private, professional and commercial interests is maintained by the Council. The register is available on the STFC website.

Council members carry out an annual self-assessment exercise and continue to seek to improve their performance based on the outcome of this exercise.

EXECUTIVE BOARD (EB)

The responsibility for the Council's activities rests with members of the Council including the Chief Executive in his role as Accounting Officer. The Executive Board supports the Chief Executive, and thereby the Council. EB continuously reviews its remit and performance. EB acts as a cohesive unit focused on the key issues and risks. EB has worked well with BIS and other external stakeholders.

AUDIT COMMITTEE

The STFC Audit Committee supports the Council and Chief Executive, in matters of governance, risk and control. The key items of discussion this year include:

- STFC Annual Report and Accounts;
- UK SBS Ltd;
- Partner Organisations and Arm's Length Bodies;
- Cyber Security;
- Risk Management;
- Safety, Health & Environment;
- The Funding Assurance Programme;
- External audit reports; and
- AASG audit reports and implementation of the resulting recommendations.

Audit Committee undertakes periodic reviews of its performance reflected in an Annual Report to Council. Audit Committee hold closed sessions with auditors at each meeting. The Audit Committee chair further engages with the executive and auditors between meetings in matters of governance, risk and various review processes.

Non-Executive Attendance	Council	Audit Committee
Professor Sir Michael Sterling FEng (Council Chair)	6/6	1/1
Professor John Womersley (Chief Executive)	6/6	3/3
Mrs Gill Ball OBE	5/6	3/3
Dr Brian Bowsher	6/6	N/A
Mr Gerard Connell	4/6	3/3
Professor Dame Julia Goodfellow	2/6	N/A
Professor David Price FGS	5/6	N/A
Mr Ian Taylor	6/6	N/A
Dr Richard Worswick	6/6	N/A
Professor Carol Mundell	6/6	N/A
Professor Jordan Nash	6/6	N/A
Mr David Noble (Independent Advisor)	N/A	3/3
Mrs Angela Marshall (Independent Advisor)	N/A	3/3

The STFC risk management framework is a critical component of the stewardship framework. It is reflective of an organisation that operates on an international scale with novel and complex technologies, large scale investments and major high profile facilities. The stewardship framework is built on HM Treasury's 'Three Lines of Defence' including:

- clear direction on strategies, plans, policies and clear delegation of authority;
- management assurance embedded oversight and review activities that continually challenge our priorities, performance and control. and
- independent assurance (e.g. internal audit) which review performance, compliance and effectiveness of controls.

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

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

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

- Staffing - ability to retain staff in Science Engineering and Technology (SET) roles due to lack of competitiveness on pay in recruitment;
- UKSBS Service delivery - uncertainty around the future of UKSBS creates significant risks relating to resilience, capacity and capability;
- Financial planning and management - we continue to work within tight financial constraints and maintain close scrutiny over our financial decisions and performance;
- Hartree Centre, Phase 3 – major collaboration which has now moved into operation, a clear governance framework has been established and is bedding in;
- Square Kilometre Array (SKA) – major project to establish head office operations in the UK and to design and build the world's largest array of telescopes;
- European Spallation Source (ESS) - a joint European project to create an organisation committed to constructing and operating the world's leading facility for research using neutrons;
- Government Reviews and Change - STFC has undergone a number of reviews that now introduce a significant change programme. Most notable the Nurse Review; the RCUK Change Programme (formerly Operational Cost Reduction Programme) and the creation of UK Research and Innovation (note reference in this statement);
- Harwell Campus – a joint venture to develop the Harwell Oxford Campus as a location for science, technology and innovation of international significance;
- Future Funding – a challenging economic environment including our CSR settlement and cost volatility within our activities (e.g. foreign exchange);
- The European Extremely Large Telescope (E-ELT) – an international collaboration to build the largest optical and infra-red telescope ever built;
- Capital projects (delivery) – capital investments at the Harwell and Daresbury sites;
- Business Continuity – impact of a heavy change programme, resulting in uncertainty and potential diminishing resilience.

All of these risks are assessed as inherently high and are monitored by EB. The majority of these risks have been managed down to a lower and tolerable residual level. Both Audit Committee and Council are updated on these risks regularly. Those risks that remain at a high level of residual risk are reflected in the significant issues later in this statement.

REVIEW OF EFFECTIVENESS

As Accounting Officer I have been advised of my responsibilities and accountabilities. My review is informed by the STFC stewardship framework which is consistent with HM Treasury's 'Three Lines of Defence'. In the following paragraphs I describe some of the key contributory review processes that support the overall conclusions set out here.

DIRECTOR STEWARDSHIP STATEMENTS

STFC directors provide annual 'Stewardship Statements' which provide management assurance on the system of internal control and the risks faced by STFC. These returns reflect a culmination of the in-year management processes. Whilst they provide a generally positive assessment of STFC operations some concerns were highlighted which are reflected in the significant issues referred to later in this statement.

AUDIT AND ASSURANCE SERVICES GROUP (AASG)

The Director of Internal Audit (DIA) is required to provide me with an opinion on the overall adequacy and effectiveness of the STFC's framework of governance, risk management and control. Sufficient internal audit work was undertaken to allow the DIA to provide a positively stated reasonable assurance. The overall opinion 'Moderate Assurance' reflects an environment where some improvements are required to enhance the adequacy and effectiveness of the framework of Governance, Risk Management and Control.

Audit outcomes for 2015-16 are generally positive but limited assurance has been provided for:

- a) Business Continuity Planning (STFC audit);
- b) Procurement (cross-Council audit);
- c) Fraud risk management – grant giving (cross-Council audit)
- d) Cyber security (cross-Council audit)

The DIA highlights business continuity, disaster recovery and cyber security as systems where controls can be further strengthened to ensure ongoing sustainability, giving due regard to the timing and delivery of organisational and system change initiatives.

FUNDING ASSURANCE

Across the RCUK community research funding totals £2.9Bn of which £353M relates to STFC.

The STFC funding landscape has two major funding streams: 1. Grants administered through the Siebel system (c£127M) and awarded to eligible Research Organisations (ROs); 2. Funding distributed outside the Siebel system (c£226M) including Strategic partnerships.

SIEBEL GRANTS

I am assured on the regularity of spend within the community through a range of mechanisms:

- The Funding Assurance Programme (FAP) is a common activity which all Research Councils place reliance upon in relation to the use of grant funding;
- ISA260 reports from Russell Group Universities and other top ranked HEIs. These have identified no major errors or concerns in the application of funds within the University sector;
- A letter from HEFCE providing an Annual Assurance Statement confirming that they have reviewed 24 institutions during the year and provide assurance on:
 - The financial stability of the institutions;
 - The absence of material threats to RC funds;
 - that HEIs work within sound governance frameworks; and
 - That they are unaware of any improper or irregular expenditure.
- Final Expenditure Statements submissions – each grant holder is required to submit a Final Expenditure Statement at the end of the grant. These are checked and reconciled (100%) by UKSBS.
- Peer Review – in the transition between a grant ending and the next grant starting Peer Review will consider performance on the preceding grant. Whilst not checking the specific spend outcomes this does apply a qualitative assessment of the resources expended and requested for the grant.

In particular, the FAP methodology provides assurance on the control environment in operation within ROs and vouches a targeted sample of transactions to confirm compliance with grant terms and conditions. This assurance programme assesses the overall control environment of the Universities and tests transactions through a process of risk and judgemental testing. The results (i.e. very low level of current and historic errors identified) are for all Councils consistent with our key assertion regarding the robustness of the overall RC funding system. In his report the Head of Funding Assurance provides Moderate Assurance based upon the programme of work undertaken in 2015-16 and the previous 2 years. In 2015-16 the main outcomes of this programme were:

- 20 assurance assignments
- £28.1M of STFC expenditure reviewed
- Ineligible expenditure identified £0 in 2015/16
- No payments in advance of need were identified

Combined with the other layers of assurance such as the processes around grant application, approval and payment plus the independent ISA260 audit reports for Universities (reinforced by HEFCE framework for control of HEIs), I am able to make positive assertions around regularity of spend by ROs.

NON-SIEBEL AWARDS/FUNDING

Strategic partnerships represent the major part of STFC non-Siebel funding to third parties. Major components include:

- International Subscriptions – Drayson (c£153M)
- International Subscriptions – non Drayson (c£8.5M)
- Joint Ventures (c£47M)
- Institutes (c12M)

Funding in these activities invariably represents STFC or UK contributions to organisational resources for international collaborations and may not be tracked to a specific deliverable. I take assurance on these activities primarily through the governance frameworks in place, including:

- Concordats, Treaties etc setting out the rules and relationships for our engagement;
- Representative roles within the key organisations (e.g. Governing Bodies, Finance Committee etc);
- For major projects and developments we establish Programme Boards and/or Oversight Committees;
- We have designated individuals within STFC who report periodically on issues emanating from these activities to Executive Board, Council and Audit Committee;
- We take assurance from the Annual Accounts of these organisations and in the case of the ILL we sit on the ILL Audit Commission.

Again when I reflect on the aggregation of all these sources of assurance I conclude on a strong framework that provides adequate assurance on the efficient and effective expending of public resources.

SIGNIFICANT ISSUES

As a consequence of the risk management and review processes described above I have concluded on an overall positive control environment. Nevertheless, I highlight the following significant issues that continue to receive close attention at Executive Board:

REVIEWS AND CHANGE

STFC is engaged within a heavy period of change with many factors impacting our operations. As with the rest of the UK and our contemporaries we are impacted by the UK decision to leave the EU. The full impact of this is still to be determined but we start from a strong base. In addition, within our own environment I have recently announced my resignation as CEO and STFC are in the process of appointing my successor.

Alongside these factors, STFC and the RC community have undergone a number of reviews and are undergoing a major change programme with a significant impact on the governance framework and operations. Most notable are the Nurse Review, the Higher Education White Paper and Bill; and the Research Council Change Programme (formerly OCRP).

The introduction of Higher Education White Paper 'Success as a Knowledge Economy', sets out Government plans, through legislation, for the creation of a new organisation called UK Research and Innovation, to incorporate the functions of all seven Research Councils, Innovate UK and HEFCE's research and knowledge exchange functions. This will present significant governance challenges to all Research Councils over the next two years. We are working collaboratively with BIS to identify and actively mitigate any risks. STFC will be fully engaged in this process which will be reflected in future Governance Statements.

The Nurse report [Ensuring a Successful Research Endeavour], provided the motivation for the White Paper and Draft Bill and makes recommendations that will result in fundamental structural changes to the Research Councils and their communities.

Research Councils are taking a collective approach to operational efficiency through the RCUK Change Programme to achieve savings over the next two years. We have agreed to move to a unified operations approach for business IS/IT, finance, HR, office estates, a common grants funding platform, and communication services to serve the head offices of all the Research Councils.

In March 2016 the RCUK Strategic Executive (SE) agreed for the programme to include wider change. The focus is now on centralising and moving to single operating models in identified functional areas alongside the Grants Delivery Platform and the safe transition of UKSBS services and building works.

The programme has been in mobilisation phase during 2015/16 with outline business cases covering nine constituent projects reviewed by the Programme Board in February prior to review and approval by the RCUK Strategic Executive in March.

The risk remains that uncertainty may affect staff and place additional demands on resource. This may in turn make it difficult to maintain 'business as usual' in the transition leading to the new structure unless mitigations are in place.

STFC is very well placed within the change programme. We have a track record of delivering major projects and are engaged constructively within the review activities. As CEO I maintain regular communication with staff on impact of these reviews.

FINANCIAL MANAGEMENT

Consistent with all public sector bodies STFC continues to work within tight financial constraints and maintains close scrutiny over its financial decisions and performance. It is clear that we have some significant challenges ahead in relation to our CSR settlement which is compounded by cost base pressures (e.g. foreign exchange risks,) within our programme. We are working with BIS to address some of the most pressing issues to inform a comprehensive Delivery Plan and on hedging foreign currency risk.

Some further financial and strategic work is underway to make sure our decisions are based on a forward look for programme costs for the next four years.

STAFFING

We continue to lose staff in Science Engineering and Technology (SET) roles due to lack of competitiveness on pay in recruitment. This has also impacted our ability to retain existing staff due to the high-level of competitiveness in the local economy. Staffing issues may also be affected by uncertainty created through change programme referred to above. STFC continues to work with BIS to explore options in respect of pay flexibility, to develop a future pay strategy to address long term pay pressures and to develop our skills strategy.

UK SBS LTD - BACK OFFICE TRANSACTIONAL PROCESSING

STFC currently relies upon UK SBS to perform its back office processing for human resources, procurement, payroll, finance and grants. The Accounting Officer of UK SBS has written to me to provide assurance on risk and control and to highlight the challenges facing the UKSBS. In light of the BIS announcement in 2015 that the UK SBS is to be disbanded over the next 3 years, UKSBS acknowledge risks to continued resilience including reliance on legacy systems and capacity and capability. UK SBS continues to focus on business as usual service delivery recognising the need to remain agile and responsive to changes.

The Company's ability to maintain service delivery, prepare for and transfer services over the next two to three years will be highly dependent on capacity and capability. I cannot underestimate our reliance on UKSBS, their continuing resilience and the challenges ahead – this is a key focus for the senior management team.

In February the RC community experienced a serious unplanned system outage of two weeks; the fix for this involved bringing the Oracle platform back into technical support. During this time business continuity plans were implemented. Within STFC we continue to experience service issues, particularly in relation to financial processes and procurement. Whilst the resolution of the outage could be seen as a positive outcome, I am concerned there is need to assess and stabilise the platform in order to minimise the risk of further disruption.

BUSINESS CONTINUITY AND DISASTER RECOVERY

Factors highlighted above in relation UKSBS resilience pose a significant risk to the Research Councils. Although the risk of error has increased, to date there have been no material errors or omissions reported to me. STFC, the other Research Councils and the RCUK Executive Director will continue to strengthen the business continuity plans already in place, including a review of the lessons learned from the outage this year.

A cross Research Council group, which includes UKSA and AASG, has been set up to consider possible erosion of UKSBS services as plans for their future evolve. The group considered and agreed mitigations in the key areas of RC business:

- Identify potential areas at risk in each area in the event of any reduction in the quality of service provided by UK SBS
- Compile a summary detailing the background, key activities, overview of risks and options for mitigation of risks
- Liaise with UK SBS to identify the current status of their Business Continuity plans and take appropriate actions to ensure alignment to minimise disruption in the areas identified by the RCs
- Harmonise as far as possible Research Councils BC/DR plans under an overarching umbrella

CYBER SECURITY AND INFORMATION ASSURANCE

STFC recognises the ongoing and increased Cyber Security threats and the challenges to managing them. We have a commitment to continually improve our controls, training and awareness. Whilst there have been a small number of incidents they have not resulted in data loss or classed as high risk.

In common with other Research Councils, STFC receives IT Infrastructure services in support of common key business services from UK SBS Ltd. These are subject to governance arrangements and subject to regular audits. These arrangements allow us to continuously assess and challenge performance including the review of cyber security threats and management of security incidents. These are reported separately in the annual report.

STFC continues to implement the Security Policy Framework (SPF) as well as identify areas for improvement within its information security environment by aligning to best practice including the Cyber Essentials Scheme. Aspects of information security are independently audited and verified by the AASG through the annual HMG Security Health Check process.

On-going Information Security development work and outcomes from a number of independent assurance reviews of information security this reporting year have been used to support and develop known areas for improvement. These include:

- Identification and training of Information Asset Owners;
- Implementation of a range of IT Policies;
- Implementation of a formal Incident Management Process;
- Pilot testing of an Intrusion Detection/Prevention system;
- Implementation of an Information Security Quarterly Scorecard.

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

PARTNER ORGANISATIONS

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

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

MAJOR INITIATIVES

We work in an environment of high value, complex and novel technologies and facilities. A number of major capital initiatives are captured on our Corporate Risk Register, including Hartree 3, ESS and SKA. STFC has established robust governance structures around these projects. STFC has in place a good project management framework and has a track record for delivering high end facilities and novel and complex projects. In each case we will continue to monitor the benefits that formed the basis of the business cases and ensure that they continue to reflect stakeholder needs, including HMT on the management of the UK investment.

PAY REMIT

In 2014-15 we reported on a breach of our pay remit, due to STFC agreeing to increase the on call arrangements for staff. STFC and its partners on the Research Councils' Pay Board have introduced new governance arrangements, including a revised control environment.

Pay setting arrangements throughout the civil service are set out in guidance issued by HM Treasury. The terms of the approval of the pay remit required the councils to refer back to BIS and HMT if there was a 'significant deviation' from the approved pay remit. In respect of the 2015/16 pay remit the cross council Pay Consortium (AHRC, BBSRC, ESRC, EPSRC and STFC) applied the pay award as specified in the business case and there was no deviation from the principles agreed.

Upon implementation of the pay remit the consortium was within the overall pay envelope approved of £101.7m (i.e. an underspend of £134,000; 0.15%) across the 5 Councils. In relation to non-Consolidated pay awards the consortium had a shortfall on the agreed limit (i.e. £257,220; 0.26%). However, subsequent variances to the patterns used within the model resulted in councils exceeding the Consolidated Pay element of the approved limit (i.e. £123,140; 0.13%).

Retrospective approval has therefore been sought from BIS and HM Treasury and is awaited at the time the Accounting Officer signed these accounts. We will again review the internal processes over the management and regularity of pay remits to ensure compliance in the future.

PREPAYMENTS

In 2014-15 we also reported on a £490,000 prepayment in respect of library subscriptions. Subsequently the managing agent went into liquidation. We can also confirm that an improved control environment, including a revised policy, training and documentation, has ensured no further losses have occurred.

REGULARITY AND PROPRIETY

STFC is committed to establishing and applying appropriate standards of regularity and propriety, and does not tolerate any form of fraud, bribery and/or corruption. It is important in this context that we guard against the perception of impropriety as well as the reality.

We continue to operate structures and systems for fraud and error which include:

- Board level Counter Fraud & Error accountability;
- Fraud & Error Capacity assessment; Fraud & Error risk assessment; Fraud & Error Action Plan;
- A cross Council harmonised Whistleblowing Policy.

Consistent with the other Research Councils STFC has established a harmonised Whistleblowing Policy. The Whistleblowing policy encourages and enables employees to speak out when they encounter or suspect

malpractice. It guarantees whistle-blowers protection consistent with the Public Interest Disclosure Act (PIDA) and facilitates whistleblowing through a number of routes. There have been no cases of whistleblowing during the year.

SAFETY, HEALTH AND ENVIRONMENT (SHE)

STFC SHE management system is established, documented and communicated to all staff. Our SHE performance remains very competitive with representative comparators in other Research Councils, the University sector, private sector R&D companies, and comparable science facilities. A full commentary on these SHE activities is included in the Directors Report. There are two SHE related activities that warrant reference in this statement.

Asbestos management is a current HSE focus and following a RIDDOR report of a contractor's asbestos exposure at RAL, the HSE issued a Notice of Contravention. In line with this Notice STFC has taken action to improve the management of asbestos work at RAL, refresh asbestos awareness training, and review of asbestos records.

In previous years we have reported on the Environmental Agency's (EA) focus on radioactive material management and this has continued in 2015-16. Under the direction of the EA we have re-classified significant quantities of legacy stored radioactive materials as waste and consequently breached our permitted accumulation times, volumes and activities for these materials. The STFC and EA continue to work together to apply Best Available Techniques (BAT) for STFC radioactive material disposal and management. We expect to agree a new EA permit at RAL soon, for operational and legacy wastes, the latter being disposed of as part of an on-going programme under EA oversight.

MACPHERSON REVIEW

The review of quality assurance of Government analytical models undertaken by Sir Nicholas MacPherson and published by HM Treasury in March 2013 made a number of recommendations for government departments and their Arm's Length Bodies. To comply with the review and the BIS requirements STFC have reviewed their use of analytical modelling in 2015-16 and have not identified any that were considered to be business critical.

TAX COMPLIANCE (ALEXANDER REVIEW)

The Alexander Review was published in May 2012 making a number of recommendations to ensure that the highest standards of integrity could be demonstrated in the tax arrangements of senior public appointees. Following consultation with UKSBS Procurement colleagues, I can confirm that all STFC contracts for contingent labour are covered by the relevant clauses regarding tax compliance.

CONCLUSION

I have considered the evidence provided with regards to the production of this statement. I conclude on an effective organisation. This conclusion is founded on a strong strategic approach, a good evidence base and a strong reputation. We use our brokerage skills to strengthen our relations with industry, academia and other stakeholders and above all we continue to deliver science and facilities of the highest quality.

As Accounting Officer I believe that there is a sufficient range of assurances available to provide satisfactory assurance both in terms of science delivery and regularity of spend. In particular and as described above in relation to funding assurance:

- RC procedures ensure that the right science is commissioned at an appropriate cost.
- Governance standards ensure that funding expectations and standards are adequately communicated to those responsible for delivery.
- Assurance arrangements carried out within the HEI sector and the Research Council sector adequately test the application of these requirements.

In addition, the scale, pace and nature of the change programme has the potential for major disruption and uncertainty within Councils and across our user community. It is critical that this is taken forward in a structured and inclusive manner. It is also essential that the authority invested in STFC is not compromised and decision making continues unfettered in the transition to UKRI.

We will continue to press for improvement from within STFC and from our key partners, particularly in the areas highlighted in this statement. We go forward with a strong foundation. We have delivered and helped deliver major successes in our programme over the past year. We have secured significant additional capital investments in our campuses and facilities demonstrating confidence in our plans and the important part they play in contributing to

the economy. The Government remains strong in expressing its support for science and innovation as drivers of economic recovery.

REMUNERATION AND STAFF REPORT

REMUNERATION POLICY (AUDITED)

The Council comprises external appointees and the Chief Executive. The Chief Executive's remuneration is detailed below. The Business and Science group within BIS advises Research Councils of the rates they are required to pay and these are reviewed annually. The standard honorarium paid to Council members remained unchanged at £6,850, effective from 1 October 2009. Council members may receive an additional honorarium for chairing advisory committees. Council members did not become members of a pension scheme and there were no superannuation payments relating to the fees paid to them.

SINGLE TOTAL REMUNERATION FOR EACH DIRECTOR (AUDITED)

Remuneration was in the following ranges:

	Annual honoraria	
	2015-16	2014-15
	£'000	£'000
Mrs Gill Ball OBE	5-10	5-10
Professor Martin Barstow FRSA FInstP (retired 31 March 2015)	-	5-10
Dr Brian Bowsher	5-10	5-10
Mr Gerard Connell	5-10	5-10
Mr Marshall Davies (retired 31 March 2015)	-	5-10
Professor Dame Julia Goodfellow	5-10	5-10
Professor Carole Mundell	5-10	-
Professor Jordan Nash	5-10	-
Professor David Price FGS	5-10	5-10
Professor Sir Michael Sterling FEng (Chair)	20-25	20-25
Professor James Stirling CBE FRS (retired 31 March 2015)	-	5-10
Mr Ian Taylor	5-10	5-10
Dr Richard Worswick	5-10	5-10

The Council reimburses travel and subsistence expenses necessarily incurred by Council members attending meetings or undertaking other tasks arising from their membership, in accordance with the conditions and at the rates applying to the Council's employees. The amount reimbursed for 2015-16 was £5,989 (2014-15: £4,579).

CHIEF EXECUTIVE

The remuneration of all Research Council Chief Executives is determined by a BIS Remuneration Committee chaired by the Director General, Business and Science (DGBS) and approved by the BIS Permanent Secretary. Chief Executives are paid both a basic salary, reflecting the differing sizes and responsibilities of the Councils, and performance pay comprising annual, RCUK and appointment term bonuses of up to 5%, 5% and 10% respectively.

At the beginning of each year, the DGBS, and the relevant Council Chairs, agree with Chief Executives a set of individual and RCUK performance objectives for the year. In addition, a set of appointment term objectives are agreed early in the appointment, which are reviewed annually. At the end of the year, the Chief Executive, Chair and an independent Council member write an assessment of performance over the year, and the DGBS, with advice from colleagues, agrees an assessment of overall performance and specific achievements against objectives for annual and appointment term objectives. The BIS Remuneration Committee then meets to review the Chief Executives' performance and agree its recommendations, for approval by the BIS Permanent Secretary.

OTHER SENIOR EMPLOYEES

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

Membership during 2015-16 was:

Mr Gerard Connell, Chair and Council Member
Mrs Gill Ball, Council Member
Mr Marshall Davies, co-opted former Council Member

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

Mr Gordon Stewart was secretary to the Committee.

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

In determining bonus payments relating to performance in 2014-15 (but paid for in 2015-16), the Committee took account of the sponsoring department's guidance on bonus awards for senior staff, and allocated 3.3% (2014-15: 5%) of the senior staff pay bill for bonuses. That sum was allocated on the basis of an assessment of each individual's performance during the year, taking account of each individual's self-assessment; his/her line manager's appraisal of that self-assessment; and the Committee's own moderation of these. A bonus was paid only where there was demonstrable achievement beyond what was specified in the individual's job description. The resulting individual bonus payments ranged from 0% to 4% of basic salary.

SALARY AND PENSION ENTITLEMENTS OF SENIOR EMPLOYEES

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

	2015-16 £'000			2014-15 £'000		
	Remuneration	Bonus	Total Remuneration (inc pension)	Remuneration	Bonus	Total Remuneration (inc pension)
Professor John Womersley	130-135	10-15	185-190	130-135	5-10	165-170
Dr Timothy Bestwick	150-155*	0-5	150-155	80-85	0-5	85-90
Professor Grahame Blair	95-100	0-5	140-145	95-100	0-5	105-110**
Dr Sharon Cosgrove	90-95	0-5	130-135	95-100	5-10	140-145
Mr Neil Phimister	100-105	0-5	140-145	100-105	n/a***	140-145
Mr Gordon Stewart	115-120	0-5	155-160	105-110	0-5	155-160
Dr Andrew Taylor	100-105	0-5	135-140	105-110	0-5	140-145

a. Remuneration includes any allowances but not employer's pension contribution or value of pension benefits.

b. The total remuneration figure includes gross salary, allowances, bonuses and value of pension benefits (which after taking account of inflation and the employee's own pension contributions, may be negative).

c. Due to the timing of the senior staff appraisal process, the bonuses disclosed for 2015-16 were paid in 2015-16 and relate to performance in 2014-15; and those disclosed for 2014-15 were paid in 2014-15 and relate to performance in 2013-14.

d. In line with previous years, an estimated figure for senior staff bonuses relating to 2015-16 has been accrued and individual bonus payments will be reported in the 2016-17 Remuneration Report.

* This figure includes a one-off payment of £51,000 which represents backpay of basic salary and recruitment and retention allowance to the date on which Dr Bestwick was appointed to the role of Executive Director, BID (1 April 2012).

** Re-stated

*** Mr Neil Phimister was appointed on 24 February 2014. No bonus was payable in 2014-15 for performance in 2013-14.

BENEFITS IN KIND

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

No members of the Executive Board received benefits in kind in 2015-16 (2014-15: Nil).

PENSION ENTITLEMENTS FOR EACH DIRECTOR (AUDITED)

PENSION BENEFITS

	Accrued pension at retirement age as at 31/3/16 and lump sum	Real increase /(decrease) in pension and related lump sum at pension age	CETV at 31/3/16	CETV at 31/3/15	Real increase in CETV
	£'000	£'000	£'000	£'000	£'000
Professor John Womersley	20-25 plus no lump sum	2.5-5 plus no lump sum	393	323	34
Dr Timothy Bestwick*	n/a	n/a	n/a	n/a	n/a
Professor Grahame Blair	55 – 60 plus no lump sum	2.5 – 5 plus no lump sum	739	651**	25
Dr Sharon Cosgrove	10-15 plus no lump sum	0-2.5 plus no lump sum	216	170	19
Mr Neil Phimister	0-5 plus no lump sum	0-2.5 plus no lump sum	58	27	19
Mr Gordon Stewart	20-25 plus no lump sum	0-2.5 plus no lump sum	289	235	18
Dr Andrew Taylor	50-55 plus 150-155 lump sum	0-2.5 plus 5-7.5 lump sum	1,049	1,041	27

* Timothy Bestwick is not a member of the Research Councils' Pension Scheme.

** Re-stated to include the transfer of pension into the Research Councils' Pension Scheme.

ACCRUED PENSION

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

CASH EQUIVALENT TRANSFER VALUES

A cash equivalent transfer value (CETV) is the actuarially-assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's or partner's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in the former scheme. The pension figures

shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies.

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

CETVs are calculated in accordance with The Occupational Pension Schemes (Transfer values) (Amendment) Regulations 2008 and do not take any 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 CETV

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

COMPENSATION FOR LOSS OF OFFICE AND EARLY RETIREMENT FOR DIRECTORS (AUDITED)

There was no loss of office or early retirement cases involving directors in 2015-16.

FAIR PAY DISCLOSURE (AUDITED)

The banded remuneration of the highest paid director in 2015-16 was £140,000-£145,000 (2014-15: £135,000-£140,000). This was 3.70 times (2014-15: 3.71, on a re-stated basis) the median remuneration of the workforce, which was £38,493 (2014-15: £37,079, re-stated basis). The 3.8% increase in median remuneration mainly reflects the buy-out, in line with Government pay policy, of the former contractual pay progression entitlements of most staff in the July 2015 pay award.

The range of remuneration in 2015-16 was from £10,881 to £143,113 (2014-15: £10,773 to £139,700). Remuneration includes gross salary, allowances and non-consolidated performance-related pay. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

STAFF REPORT

NUMBER OF SENIOR CIVIL SERVICE STAFF (OR EQUIVALENT) BY BAND

The distribution of Senior Civil Service (SCS) equivalent staff by salary band at 31 March 2015 and 2016 respectively was:

Salary band	SCS equivalent at 31 March 2016		SCS equivalent at 31 March 2015	
	Number	Percentage	Number	Percentage
£60,000-£70,000	-	-	-	-
£70,001-£80,000	14	38.9%	14	43.8%
£80,001-£90,000	10	27.8%	11	34.4%
£90,001-£100,000	6	16.7%	3	9.4%
£100,001-£110,000	4	11.1%	3	9.4%
£110,001-£120,000	1	2.8%		
£120,001-£130,000				
£130,001-£140,000	1	2.8%	1	3.1%

STAFF NUMBERS AND COSTS (AUDITED)

Staff and related costs comprise:

Financial year	2015 2016	2014 2015
	£'000	£'000
Staff costs		
Salaries and wages:		
Permanently employed staff	72,921	67,422
Council and committee members	87	99
Students	806	711
Locally engaged staff overseas	1,378	1,472
Total salaries and wages	75,192	69,704
Social security costs	6,545	5,968
Superannuation	17,375	16,235
Total staff costs	99,112	91,907
Secondments	1,017	949
Agency and contractors	2,981	2,044
Capitalised pay costs	(4,791)	(4,660)
Total	98,319	90,240

STAFF NUMBERS

	2015 16	2014 15
Average number of persons employed		
Permanently employed staff	1,826	1,736
Council and committee members	3	3
Students	43	46
Locally engaged staff overseas	39	48
Total staff	1,911	1,833
Secondments	21	18
Agency and contractors	61	38
Total	1,993	1,889

Permanently-employed staff comprises all permanent and fixed-term staff, paid as employees through the payroll.

SUPERANNUATION

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

The RCPS are defined benefit schemes funded from annual grant-in-aid on a pay-as-you-go basis. The benefits are by analogy to the Principal Civil Service Pension Scheme, except that, while the schemes provide 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 Services, with the associated grant-in-aid managed by BBSRC. The schemes' accounts are prepared by BBSRC, on behalf of the BBSRC Chief Executive as the Accounting Officer for the RCPS. Separate accounts are published for the Pension Schemes. Employees' contributions vary between 1.5% and 8.85%. The employer's contribution is agreed by the RCPS Board of Management on the recommendation of the Government Actuary's Department (GAD) and is set at 25.6% of pensionable pay.

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's contribution for 2015-16 was £17.074m (2014-15: £15.968m).

The PNISS is a notionally funded, contributory, defined benefit scheme which is closed to new entrants. Employees who are members of the PNISS made pension contributions at the rate of 10.7% of pensionable pay during 2015-16. The Council makes employer's contributions at a rate determined from time to time after actuarial assessment of assets and liabilities. In 2015-16 the employer's contribution rate was 15.8% of pensionable pay. The employer contribution for 2015-16 was £0.207m (2014-15: £0.236m).

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

As an alternative to the RCPS, a Partnership Pension Account was made available to new recruits from 1 October 2002. It is based on the portable Stakeholder Pension introduced by the Government in 2001. This is a defined contribution scheme. The employers pay the RCPS 0.8% of pensionable pay to cover death in service and ill-health benefits. The employers pay an age-related contribution to the employee's private pension provider. The employer contribution for 2015-16 was £0.083m (2014-15: £0.066m).

Employer's 0.8% death in service Partnership contribution for 2015-16 was £3,044.34 (2014-15: £4,026).

The last actuarial valuation undertaken for the RCPS was at 31 March 2006 and was completed in 2008-09. HM Treasury have issued GAD, the RCPS actuary, with directions for calculating public service pension scheme valuations as at 31 March 2012 with changes likely to apply from 2016-17 onwards.

Further details about the Research Councils' pension scheme arrangements can be found at www.jsspensions.org.uk.

STAFF COMPOSITION

The distribution of directors, senior (SCS equivalent) staff and other employees by gender at 31 March 2015 and 2016 respectively was:

Employees by gender	At 31 March 2016			At 31 March 2015		
	Female	Male	Total	Female	Male	Total
Directors (Executive Board)	1	6	7	1	6	7
Other senior (SCS equivalent) staff	7	22	29	7	18	25
Other employees	477	1,480	1,957	442	1,396	1,838
Total	485	1,508	1,993	450	1,420	1,870

SICKNESS ABSENCE DATA

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

In the financial year 2014-2015, our sickness absence procedures were reviewed and training was made widely available for all managers. This has led to improved reporting of sick absences and improvements in the way the organisation manages absences. Within the organisation it has also raised awareness of the importance of dealing with sick absences effectively.

The data provided has been extracted from our absence records for all STFC employees for the period 1 April 2015 to 31 March 2016. The main findings are summarised below:

- The total number of days lost to sickness absence over the period by all employees covered by the sickness absence arrangements was 10,910. The average number of staff (persons) employed over the period and covered by the sickness absence arrangements was 1,917; the average full time equivalent (FTE) count was 1,862.
- The derived absence rate (days lost per person) was 5.7; the headline absence rate (days lost per FTE) was 5.9.
- The causes resulting in the largest working time losses were post-operative recovery, (8.1% of days lost to sickness) and cold/coughs/influenza (6.3%).

Overall, there has been an increase from 5.1 days per FTE in 2014-15 to 5.9 per FTE in 2015-16, which could in part be due to the training and improved reporting mentioned previously. The latest sickness absence data released by the Chartered Institute of Personnel and Development (CIPD) features a derived absence rate for 2015 of 6.9 days per employee. According to this survey, STFC's derived rate of 5.7 days lost per person is less than the national average. STFC remains committed to keeping sickness absence levels as low as practically possible through active management of individual cases.

STAFF POLICIES APPLIED DURING THE FINANCIAL YEAR

RECRUITMENT AND CONTRACTS OF EMPLOYMENT

All appointments to permanent roles in STFC are made on the basis of merit and through fair and open competition. The Chief Executive allocates responsibilities to senior employees. Unless otherwise stated below, the staff covered by this report hold appointments which are open-ended. Senior employees are required to give a notice period of three months. As with all employees, senior employees no longer have a contractual retirement age, in accordance with legislation, but are eligible to draw their pension from the age of 60 or 65 in accordance with the rules of the relevant pension scheme.

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

EQUALITY AND DIVERSITY

STFC has maintained its strong commitment to equality and diversity, recognising the benefits that a truly diverse workforce can bring. In July 2015, the Minister of State for Universities and Science, Jo Johnson MP, asked the Research Councils to produce a single plan to take forward actions to improve equality and diversity in all areas of our work, including those in receipt of our grant funding. STFC is developing a strategy and setting challenging goals to support the achievement of this action plan.

In July 2015 we become members of Athena SWAN and our Chief Executive, John Womersley, committed STFC to the principles of the charter. Work has now started to prepare our application to gain the Athena SWAN Gender Equality Charter Mark.

STFC was pleased to retain its 'Two Ticks' Positive about Disability accreditation following an assessment visit by the disability employment adviser in September 2015. This accreditation is awarded to employers who have made a commitment to employ, keep and develop the abilities of disabled staff. STFC were pleased to provide a variety of case studies which highlighted the work we do to support and retain disabled employees in the workplace.

STFC's Dyslexia Support Network Group continues to raise awareness and provides practical support such as organising training opportunities which are specifically designed to meet the needs of dyslexic employees' preferred learning styles. This group has become an example of best practice and has been able to share their experience with other external organisations who wish to set up similar groups.

STFC's Black and Minority Ethnic (BME) Network Group continued to meet regularly and is currently running a campaign to raise its profile within STFC.

At 31 March 2016:

- The average age of employees in STFC was 44, slightly higher than the previous average of 43.
- 5.8% of employees were non-white, representing a small increase on the 5.3% reported last year;
- 24.3% of all staff were female, a minor increase from last year's figure of 24.1%, of which 20% are science, technology, engineering and mathematics (STEM) females; and
- 2.5% of staff were known to be disabled, a slight decrease on the 2.6% reported last year.

EMPLOYEE ENGAGEMENT

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

During the year, staff had the opportunity to provide feedback on several corporate initiatives. These have included the revision of the STFC corporate strategy and STFC's new employer branding material.

In July 2015, staff were invited to complete a survey to discover the type of non-pay benefits they most valued and what benefits would be of value in the future. We received a response rate of more than 40% and the results will inform any future discussions and planning on the provision of non-pay benefits.

LEARNING AND DEVELOPMENT

STFC depends on a highly-skilled workforce to deliver its future agenda of world-class research, world-class innovation and world-class skills. Staff take part in a broad range of technical, management and soft skills training courses, conferences, online learning resources, coaching and mentoring.

More than 1000 members of staff attended core soft skills training courses during 2015-16. New programmes of project management training, Introduction to Financial Management and competency-based training aligned to the CRISTAL framework were launched during the year, with the objective of raising standards of skill and competence across STFC. As part of a revised CRISTAL development programme, we have introduced a tool that will help team dynamics, in-line with our culture of team-based working and collaboration.

STFC has an increasing focus on students and graduates as an integral part of the talent pipeline. In 2015-16 there were 40 graduates, 38 sandwich students and 48 vacation students working at STFC. An updated programme of formal and informal learning opportunities for students saw the introduction of an early career conference, an integrated leadership programme and core learning aligned to the CRISTAL competency framework.

STFC increased the numbers of apprentices to 44 on the STFC Apprentice Scheme. These include engineering apprentices, computing apprentices and an apprentice in ICT across the sites at Rutherford, Swindon and Daresbury.

The STFC Apprentice Scheme is accredited by the Institution of Engineering and Technology (IET), and the STFC Graduate Scheme is accredited by the Institution of Mechanical Engineers (IMechE), the IET, the Institute of Physics (IoP) and has an interim accreditation from the British Computer Society.

Fourteen mid-career leaders took part in a fast-track structured development programme, including leadership training, intercultural communications training, negotiation skills, external visits, coaching and mentoring. Executive coaching has been introduced across the organisation to support ongoing career and professional development and support performance improvement.

EXPENDITURE ON CONSULTANCY

Expenditure on external consultancy in 2015-16 was £266,000.

OFF-PAYROLL ENGAGEMENTS

For all off-payroll engagements as of 31 March 2016, for more than £220 per day and that last longer than six months:

	Number
Number of existing engagements as of 31 March 2016	37
Of which, the number that have existed:	
for less than one year at the time of reporting	22
for between one and two years at the time of reporting	9
for between 2 and 3 years at the time of reporting	2
for between 3 and 4 years at the time of reporting	4
for 4 or more years at the time of reporting	0

For all new off-payroll engagements between 1 April 2015 and 31 March 2016, for more than £220 per day and that last longer than six months:

	Number
Number of new engagements, or those that reached six months in duration between 1 April 2015 and 31 March 2016	22
Number of new engagements which include contractual clauses giving STFC the right to request assurance in relation to income tax and National Insurance obligations	22
Number for whom assurance has been requested*	0
Of which:	
assurance has been received	0
assurance has not been received	0
Engagements terminated as a result of assurance not being received	0

* All of the existing off-payroll engagements reported above have been subject to a risk-based assessment as to the level of assurance required in relation to income tax and national insurance obligations and to contractual clauses giving STFC the right to request assurance. In these cases the agency workers/contractors concerned have been engaged via national call –off contracts under the Crown Commercial Services Contingent Labour One (CL1) arrangements with the individuals being subject to a risk-based assessment via the suppliers (Capita Business Services and Brook Street Ltd.).

STFC is currently reviewing the letters to be sent to those on off-payroll engagements to ensure that STFC ask the correct questions to ensure full provision of the assurance required. These request letters will shortly be sent to all those on off-payroll engagements. The managers of those on off-payroll engagements have already been informed that these letters requesting assurance will be sent shortly.

For any off-payroll engagements of board members, and/or, senior officials with significant financial responsibility, between 1 April 2015 and 31 March 2016:

	Number
Number of off-payroll engagements of board members, and/or senior officials with significant financial responsibility, during the financial year	0
Total no. of individuals on payroll and off-payroll that have been deemed “board members, and/or, senior officials with significant financial responsibility” during the financial year.	23

EXIT PACKAGES (AUDITED)

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2015-16	2014-15	2015-16	2014-15	2015-16	2014-15
Less than £10,000	-	-	2	2	2	2
£10,000 - £25,000	-	-	-	2	-	2
£25,000 - £50,000	-	-	-	2	-	2
£50,000 - £100,000	-	-	-	2	-	2
Total number of exit packages	-	-	2	8	2	8
Total cost (£)	-	-	13,104	280,613	13,104	280,613

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

PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT

LONG TERM EXPENDITURE TRENDS

STFC's resource funding over the last five years has increased by £24m (6.3%). Expenditure on International Subscriptions has risen by £19m in line with the UK's agreed contribution. The funding profile has enabled us to meet the operating costs of our world-class facilities (ISIS, DLS and CLF), including new beamlines and instruments, as well as meeting our obligations on research grants as part of our agreed scientific programme.

STFC's capital expenditure profile is varied as it is comprised of investment in our world-class facilities; operational requirements and specific projects. Projects funded over the period include Hartree Centre £115.5m, High Performance Computing £47m, Campus Development £30m, Space Science Building £25m, Energy Efficient Computing £19m, and the Higgs Innovation Centre £10.7m.

FEES AND CHARGES (AUDITED)

Fees are set to comply with the cost allocation and charging requirements set out in HM Treasury and Office of Public Sector Information guidance.

Facilities are offered to European Union users, commercial users and external users. Users are charged a unit cost based on direct operating costs and annual quantity of access with an allowance for overheads.

REMOTE CONTINGENT LIABILITIES

In addition to contingent liabilities reported within the meaning of IAS 37, STFC also reports liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability.

STFC had the following remote unquantifiable contingent liability as at 31 March 2016:

The Council collaborates with a number of other international partners in the funding, management and operation of technical facilities which are not owned by STFC. In the event of a decision to withdraw from any of these arrangements, it is likely that STFC would assist in the search for a replacement partner to ensure that technical commitments were met. The most significant international collaborations are in respect of CERN and ESO. For both of these facilities there is the possibility that STFC would be obliged to contribute to decommissioning costs arising from a decision taken to discontinue operations. The decisions to decommission are not wholly within STFC's control.

Signed:



John Womersley
Accounting officer

Date 05 July 2016

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE HOUSE OF COMMONS

I certify that I have audited the financial statements of the Science and Technology Facilities Council for the year ended 31 March 2016 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 and Staff Report and the Parliamentary Accountability Disclosures 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 Accounting Officer's Responsibilities, 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 Science and Technology Facilities Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Science and Technology Facilities Council; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify 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 Science and Technology Facilities Council's affairs as at 31 March 2016 and of 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 parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with Secretary of State directions made under the Science and Technology Act 1965; and

the information given in the Performance Report and Accountability 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 parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited are not in agreement with the accounting records and returns; or

I have not received all of the information and explanations I require for my audit; or

the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse
Comptroller and Auditor General

Date: 11 July 2016

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

FINANCIAL STATEMENTS

STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE PERIOD ENDED 31 MARCH 2016

	Note	2015-16		2014-15 re-presented	
		£000 STFC	£000 Consolidated	£000 STFC	£000 Consolidated
Total operating income	4	(66,687)	(66,687)	(72,755)	(72,755)
Staff costs	3	98,319	98,319	90,240	90,240
Purchase of goods and services	5.1	235,522	235,522	239,680	239,680
Depreciation and impairment charges	5.2	63,965	63,965	57,210	57,210
Provision expense	5.3	62,761	62,761	(1,325)	(1,325)
Research and development grants	5.4	201,238	201,238	199,320	199,320
Notional charge for UK SBS services		3,780	3,780	5,216	5,216
Other operating expenditure	5.5	22	30,645	249	28,105
Total operating expenditure		665,607	696,230	590,590	618,446
Net operating expenditure		598,920	629,543	517,835	545,691
Finance income	4	(355)	(355)	(344)	(344)
Finance expense		933	933	655	655
Net expenditure from continuing operations		599,498	630,121	518,146	546,002
Net expenditure from discontinued operations	6	-	-	3,745	3,745
Net expenditure for the year		599,498	630,121	521,891	549,747
Less notional charge for UKSBS services		(3,780)	(3,780)	(5,216)	(5,216)
Net expenditure for the year after reversal of notional charge		595,718	626,341	516,675	544,531
Other comprehensive net expenditure					
Items which will not be reclassified to net operating costs:					
- Net gain on revaluation of property, plant and equipment	7	(12,059)	(12,059)	(12,493)	(12,493)
- Net gain on revaluation of intangible assets	8	(31)	(31)	(52)	(52)
Items which may be reclassified to net operating costs:					
- Net (gain)/loss on revaluation of investments	10	-	(7,852)	-	31,843
- Other movements in fair value	9	(1,913)	(1,913)	(349)	(349)
Total Comprehensive net expenditure for the year		581,715	604,486	503,781	563,480

The notes on pages 47 to 80 form part of these Financial Statements

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2016

	Note	31 March 2016		31 March 2015	
		£000	£000	£000	£000
		STFC	Consolidated	STFC	Consolidated
Non-current assets:					
Property, plant and equipment	7	728,139	728,139	731,391	731,391
Intangible assets	8	17,383	17,383	1,692	1,692
Financial assets	10, 11	534,627	423,455	502,568	414,167
Trade and other receivables	12	4,485	4,485	4,909	4,909
Total non-current assets		1,284,634	1,173,462	1,240,560	1,152,159
Current assets:					
Assets classified as held for sale		-	-	678	678
Trade and other receivables	12	41,268	41,268	55,537	55,537
Cash and cash equivalents	13	433	433	-	-
Total current assets		41,701	41,701	56,215	56,215
Total assets		1,326,335	1,215,163	1,296,775	1,208,374
Current liabilities:					
Trade and other payables	14	(64,783)	(64,783)	(72,281)	(72,281)
Derivative financial instruments	9	-	-	(1,913)	(1,913)
Cash and cash equivalents	13	-	-	(2,272)	(2,272)
Provisions	15	(6,600)	(6,600)	-	-
Total current liabilities		(71,383)	(71,383)	(76,466)	(76,466)
Total assets less current liabilities		1,254,952	1,143,780	1,220,309	1,131,908
Non-current liabilities:					
Trade and other payables	14	(1,104)	(1,104)	(2,044)	(2,044)
Provisions	15	(90,254)	(90,254)	(33,882)	(33,882)
Total non-current liabilities		(91,358)	(91,358)	(35,926)	(35,926)
Total assets less total liabilities		1,163,594	1,052,422	1,184,383	1,095,982
Taxpayers' equity and other reserves:					
General reserve		989,733	789,736	1,012,001	842,627
Revaluation reserve		173,861	262,686	172,382	253,355
Total equity		1,163,594	1,052,422	1,184,383	1,095,982

W. John Womersley

John Womersley
Chief Executive
05 July 2016

The notes on pages 47 to 80 form part of these Financial Statements

STATEMENT OF CASH FLOWS FOR PERIOD YEAR ENDED 31 MARCH 2016

	Note	2015-16		2014-15 re-presented	
		£000		£000	
		STFC	Consolidated	STFC	Consolidated
Cash flows from operating activities					
Net operating cost		(595,718)	(626,341)	(516,675)	(544,531)
Adjustments for non-cash transactions		125,335	155,958	58,576	86,432
Decrease/(increase) in trade and other receivables	12	14,693	14,693	(4,252)	(4,252)
Decrease in trade and other payables	14	(8,438)	(8,438)	(14,631)	(14,631)
Net cash outflow from operating activities		(464,128)	(464,128)	(476,982)	(476,982)
Cash flows from investing activities					
Purchase of property, plant and equipment	7	(52,196)	(52,196)	(75,465)	(75,465)
Purchase of intangible assets	8	(12,140)	(12,140)	-	-
Proceeds of disposal of property, plant and equipment		7	7	20	20
Proceeds of disposal of assets held for sale		671	671	-	-
Investment in joint ventures and associates	10.1	(30,434)	(30,434)	(32,217)	(32,217)
Other investments and loans made	11	(1)	(1)	(296)	(296)
Net cash outflow from investing activities		(94,093)	(94,093)	(107,958)	(107,958)
Cash flows from financing activities					
Grant-in-aid received from BIS		560,926	560,926	578,919	578,919
Net cash inflow from financing activities		560,926	560,926	578,919	578,919
Net increase/(decrease) in cash and cash equivalents in the period		2,705	2,705	(6,021)	(6,021)
Cash and cash equivalents at the beginning of the period	13	(2,272)	(2,272)	3,749	3,749
Cash and cash equivalents at the end of the period	13	433	433	(2,272)	(2,272)

Note:

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

The notes on pages 47 to 80 form part of these Financial Statements

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE PERIOD ENDED 31 MARCH 2016

	General Reserve £000	Revaluation Reserve £000	STFC £000	General Reserve £000	Revaluation Reserve £000	Consolidated £000
Balance at 1 April 2014	928,672	180,573	1,109,245	787,154	293,389	1,080,543
Grant in aid from BIS	578,919	-	578,919	578,919	-	578,919
Net expenditure for the year	(516,675)	-	(516,675)	(544,531)	-	(544,531)
Movements in reserves:						
Cashflow hedge	349	-	349	349	-	349
Other Comprehensive net income for the year	-	12,545	12,545	-	12,545	12,545
Transfers between reserves	20,736	(20,736)	-	20,736	(20,736)	-
Net loss on revaluation of investments	-	-	-	-	(31,843)	(31,843)
Balance at 1 April 2015	1,012,001	172,382	1,184,383	842,627	253,355	1,095,982
Grant in aid from BIS	560,926	-	560,926	560,926	-	560,926
Net expenditure for the year	(595,718)	-	(595,718)	(626,341)	-	(626,341)
Movements in reserves:						
Cashflow hedge	1,913	-	1,913	1,913	-	1,913
Other comprehensive net income for the year	-	12,090	12,090	-	12,090	12,090
Transfers between reserves	10,611	(10,611)	-	10,611	(10,611)	-
Net gain on revaluation of investments	-	-	-	-	7,852	7,852
Balance at 31 March 2016	989,733	173,861	1,163,594	789,736	262,686	1,052,422

The figures for 2014-15 have been re-presented.

The notes on pages 47 to 80 form part of these Financial Statements

NOTES TO THE ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES

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

1.1 BASIS OF ACCOUNTING

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

These Financial Statements have been prepared in accordance with the 2015-16 Government Financial Reporting Manual (FRoM). The accounting policies contained in the *FRoM* apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

Where the *FRoM* permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of STFC for the purpose of giving a true and fair view has been selected. The particular policies adopted are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

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

GOING CONCERN

STFC is dependent on funding from BIS to meet liabilities falling due within future years. In March 2016, BIS published *The Allocation of Science and Research Funding 2016/17 to 2019/20*, which shows continued funding for STFC for this period. On the basis of this publication, STFC has no reason to believe that future funding will not be forthcoming. Therefore the accounts are produced on a going concern basis.

CHANGES TO IFRS

In accordance with the *FRoM*, these accounts apply EU-adopted IFRS and Interpretations in place on 1 January 2015. These accounts have not applied the new IFRS 9: *Financial Instruments*, IFRS 15: *Revenue from Contracts with Customers* or IFRS 16: *Leases*, Financial Reporting Standards which have been issued but are not yet endorsed by the EU. These are not yet effective (IFRS 9 and IFRS 15 are anticipated to be adopted in the 2018-19 *FRoM*, and the adoption date of IFRS 16 is still to be determined).

IFRS 9: *Financial Instruments* is being introduced to replace IAS 39: *Financial Instruments: Recognition and Measurement*. The new standard simplifies the classification and measurement of financial assets as well as amending when and how impairments are calculated and reported, moving from an incurred loss to an expected loss model. This will result in impairments being recognised earlier than under IAS 39.

IFRS 15: *Revenue from Contracts with Customers* will replace IAS 18: *Revenue* and IAS 11: *Construction Contracts*, unifying the concepts in these two standards into a single model to recognise revenue as a performance obligation under a contract is satisfied.

IFRS 16: *Leases* will replace IAS 17: *Leases*. The new standard amends the accounting for lessees, removing the distinction between recognising an operating lease (off-balance sheet financing) and a finance lease (on-balance sheet financing). The new standard requires recognition of all leases (which last over 12 months) to be recognised as a finance lease (on-balance sheet). This will result in the recognition of a right-to-use asset, measured at the present value of future lease payments, with a matching liability. The pattern of recognition of the expenditure will result in depreciation of the right-to-use asset and an associated finance cost being recognised.

The interpretation of these standards into the *FRoM* is currently being determined and the outcome of this work is currently not known.

A full list of new accounting standards can be found at:

https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/426524/HM_Treasury_review_of_new_IFRS_issued_and_or_effective_during_2014-15.pdf.

CHANGES TO THE *FREM*

FRem 2015-16 includes the adoption of IFRS 13 as adapted for the public sector. There are additional requirements for the valuation of surplus assets. This has had no impact on the 2014-15 or 2015-16 accounts.

1.2 ACCOUNTING CONVENTION

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

1.3 BASIS OF CONSOLIDATION

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

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

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

1.4 ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

- Valuation of property, plant and equipment. Property, plant and equipment are revalued every five years and are revised in the intervening years by use of appropriate indices.
- Calculation of the decommissioning costs for DL and RAL. The calculations are based on estimates, provided by professional valuation, of the current cost of the work to be undertaken, assumptions regarding inflation rates and VAT changes and the timing of the decommissioning. To reduce the risk of material misstatement, the estimates and assumptions are reviewed annually.
- Calculation of the decommissioning provision for the ILL. STFC's share (33%) of this provision is taken from the ILL Financial Statements. The provision for decommissioning was revalued in 2007 using the software implemented by the Commissariat à l'énergie atomique (CEA) and updated as at 17 March 2013 on the basis of the best estimates provided by ILL management.

1.5 INVESTMENTS IN JOINT VENTURES AND ASSOCIATES

Investments in joint ventures and associates are accounted for using the equity method of accounting. Under this method of accounting, an equity investment in an associate or joint venture initially recorded at cost and is subsequently adjusted to reflect the investors' share of net profit or loss of the associate or joint venture.

1.6 PROPERTY, PLANT AND EQUIPMENT (PPE)

PPE is carried at fair value or depreciated historical cost which is used as a proxy for fair value.

Capitalisation thresholds for PPE is £10,000 or more.

Freehold land and buildings are revalued on an existing use basis or, where not applicable, on a depreciated replacement cost basis for specialist properties using professional valuations.

For items of plant and equipment where an asset pool is maintained replacements on a one-to-one basis are charged directly to the Consolidated Statement of Comprehensive Net Expenditure (CSoCNE) in the year of replacement. Major enhancements or additions to the pool are capitalised as assets.

1.7 DEPRECIATION

Assets under Construction are not depreciated until the asset is brought into use.

PPE is depreciated at rates calculated to write it down to the estimated residual value on a straight line basis over the estimated useful lives.

Freehold land is not depreciated and other property, plant and equipment assets are normally depreciated over the following periods:

Freehold buildings	60 years
Long leasehold properties	60 years or term of lease
Plant and machinery	20 years
Scientific equipment	15 years
Electronic scientific equipment	10 years
Computer equipment	5 years
Vehicles	4 years

1.8 OWNERSHIP OF EQUIPMENT PURCHASED WITH STFC RESEARCH GRANTS

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

1.9 INTANGIBLE ASSETS

Intangible assets are recognised for items costing £10,000 or more. They are carried at fair value less any subsequent accumulated amortisation and any subsequent accumulated impairment loss.

Intangible assets are normally amortised over the following periods:

Software licences	5 – 10 years
-------------------	--------------

1.10 ASSET IMPAIRMENT

If any indication of impairment exists in any PPE or intangible assets, the recoverable amount of the asset is estimated in order to determine the extent of any impairment loss. The recoverable amount is the higher of fair value less costs to sell, and value in use. Value in use is assumed to equal the cost of replacing the service potential provided by the asset. Impairment losses are charged to the CSoCNE.

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

1.11 CASH AND CASH EQUIVALENTS

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

1.12 FINANCIAL INSTRUMENTS

STFC recognises and measures financial instruments in accordance with IAS 39, *Financial Instruments: Recognition and Measurement* as interpreted by the *FReM*.

Financial assets and liabilities are initially measured at fair value.

The fair value of financial instruments is determined by reference to quoted market prices where an active market exists for the trade of these instruments. The fair value of financial instruments which are not traded in an active market is determined using generally accepted valuation techniques, including estimated discounted cash flows.

FINANCIAL ASSETS

STFC's financial assets have been classified into the following four categories, which are determined at initial recognition:

- Held-to-maturity investments
- Loans and receivables
- Available-for-sale assets
- Held at fair value through profit or loss

The classification determines the subsequent measurement of the financial asset.

Held to maturity investments and loans and receivables are subsequently held at amortised cost less impairment.

Available for sale assets and held at fair value through profit or loss are subsequently held at fair value. Fair value movements in available for sale assets are recognised as part of the Other Comprehensive Income statement and in an associated Available for Sale revaluation reserve. Whereas fair value movements on a financial asset held at fair value through profit or loss, is recognised directly in the CSoCNE.

UNLISTED INVESTMENTS

STFC classifies its investments in unlisted investments as available for sale financial assets.

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

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

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

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

Gains and losses on realisation of fixed asset investments are taken through the CSCNE. Fixed asset investments are not held for immediate resale. The difference between the market value of fixed asset investments over the cost to STFC is shown as an unrealised gain or loss in the revaluation reserve.

TRADE AND OTHER RECEIVABLES

Trade and other receivables are classified as loans and receivables; they are initially recognised and carried at original invoice amount. Subsequently, an estimate for doubtful debts is made when collection of the full amount is no longer probable and is offset against the original invoice amount.

Bad debts are written off when identified.

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 STFC is established or when the corresponding assets or expenses are recognised.

FINANCIAL LIABILITIES

STFC's financial liabilities were classified as other financial liabilities on initial recognition.

Since these balances are expected to be settled within twelve months of the reporting date, there is no material difference between fair value, amortised cost and historical cost. All other financial liabilities are measured at amortised cost, after initial recognition using the effective interest rate method.

1.13 DERIVATIVE FINANCIAL INSTRUMENTS

Derivative financial instruments comprise forward contracts held to hedge STFC's exposure to foreign currency risk. They are designated as cash flow hedges. The effective portion of change in the fair value is recognised in equity. The gain or loss relating to the ineffective portion is recognised in the CSocNE. Amounts accumulated in equity are recycled to the CSocNE in the periods when the hedged item affects the CSocNE.

1.14 NON-CURRENT ASSETS CLASSIFIED AS HELD FOR SALE

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

Non-current assets are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset is available for immediate sale in its present condition, management are committed to the sale and completion is expected within one year from the date of classification.

1.15 DECOMMISSIONING COSTS

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

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

1.16 GOVERNMENT GRANTS RECEIVABLE AND OTHER INCOME

Grant in Aid provided by BIS for revenue and general capital purposes is credited to the income and expenditure reserve. In line with the terms of the agreement, contributions, co-funding and grants from other bodies (including other Government bodies) are recognised as income over the period in which STFC recognises the related costs for which the grant is intended to compensate.

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

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

1.17 RESEARCH AND DEVELOPMENT

As a research organisation the majority of STFC's expenditure on research and development does not meet the capitalisation criteria of IAS 38, *Intangible Assets* and is therefore charged to the CSocNE when incurred.

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

1.18 CONTRIBUTIONS TO INTERNATIONAL COLLABORATION PROJECTS

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

1.19 RESEARCH GRANTS PAYABLE

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

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

1.20 PENSIONS

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

Liabilities for the payment of future benefits are the responsibility of the UKAEA Pension Scheme and the RCPS. Accordingly, these are not included in the Financial Statements.

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

1.21 EARLY DEPARTURE COSTS

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

1.22 EMPLOYEE BENEFITS

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

1.23 CLOSURE AND RESTRUCTURING COSTS

Where a constructive obligation arises to terminate or radically change one of STFC's operational facilities, or to restructure, a provision is set up to cover the direct costs associated with closure or restructuring in accordance with IAS 37, *Provisions, Contingent Liabilities and Contingent assets*.

1.24 TAXATION AND VAT

STFC is exempt from income and corporation tax by way of their Crown exemption.

Value Added Tax (VAT) is accounted for in the accounts, in that amounts are shown net of VAT except:

- Irrecoverable VAT is charged to the CSoCNE, and included under the relevant expenditure heading
- Irrecoverable VAT on the purchase of an asset is included in additions.

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

1.25 FOREIGN CURRENCY

STFC applies IAS 21, *The Effects of Changes in Foreign Exchange Rates*, and transactions that are denominated in a foreign currency are translated into sterling at the rate of exchange ruling on the date of each transaction, except where rates do not fluctuate significantly, in which case an average rate for a period is used. Monetary assets and liabilities denominated in foreign currencies at the Consolidated Statement of Financial Position date are retranslated at the rates of exchange ruling at that date. The translation differences are recognised in the CSoCNE.

1.26 INSURANCE

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

1.27 NOTIONAL CHARGE FOR UK SBS LIMITED SERVICES

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

2. REPORTING BY OPERATING SEGMENT

Science and Technology Facilities Council reports its expenditure by operating segment in accordance with IFRS 8, Operating Segments.

SEGMENTAL ANALYSIS OF CONSOLIDATED STATEMENT OF COMPREHENSIVE NET EXPENDITURE

FOR THE YEAR TO 31 MARCH 2016

	Programmes	National Laboratories	Business & innovation	Corporate services	Finance	SPC	Total
	£000	£000	£000	£000	£000	£000	£000
Expenditure							
Staff costs	4,778	72,167	3,663	11,584	2,750	3,377	98,319
Purchase of goods and services	155,473	53,824	4,135	21,511	(1,003)	1,582	235,522
Depreciation and impairment charges	-	-	-	-	63,965	-	63,965
Provision expense	-	-	-	-	62,761	-	62,761
Research and development grants	187,726	11,578	1,830	47	-	57	201,238
Notional charge for UK SBS Ltd services	-	-	-	-	3,780	-	3,780
Other operating expenditure	-	-	-	-	30,645	-	30,645
Total operating expenditure	347,977	137,569	9,628	33,142	162,898	5,016	696,230
Income							
Income from operating activities	(2,793)	(53,904)	(2,339)	(7,746)	358	(263)	(66,687)
Net operating expenditure	345,184	83,665	7,289	25,396	163,256	4,753	629,543

FOR THE YEAR TO 31 MARCH 2015

	Programmes	National Laboratories	Business & innovation	Corporate services	Finance	SPC	Total Continuing Operations	Discontinued Operations
	£000	£000	£000	£000	£000	£000	£000	£000
Expenditure								
Staff costs	5,400	64,682	3,029	10,799	2,855	3,268	90,033	284
Purchase of goods and services	150,836	59,639	4,555	22,334	646	1,877	239,887	2,600
Depreciation and impairment charges	-	-	-	-	57,210	-	57,210	2,930
Provision expense	-	-	-	-	(1,325)	-	(1,325)	-
Research and development grants	183,212	-	16,108	-	-	-	199,320	-
Notional charge for UK SBS Ltd services	-	-	-	-	5,216	-	5,216	-
Other operating expenditure	-	-	-	-	28,105	-	28,105	(678)
Total operating expenditure	339,448	124,321	23,692	33,133	92,707	5,145	618,446	5,136
Income								
Income from operating activities	(2,641)	(59,057)	(1,666)	(8,901)	(158)	(332)	(72,755)	(1,391)
Net operating expenditure	336,807	65,264	22,026	24,232	92,549	4,813	545,691	3,745

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

The geographical analysis of non-current assets is:

	2015-16 £000	2014-15 £000
UK	1,134,704	1,120,851
Foreign	38,758	31,308
Total	1,173,462	1,152,159

SUMMARY OF THE SEGMENTS:

PROGRAMMES

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

NATIONAL LABORATORIES

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

BUSINESS AND INNOVATION

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

CORPORATE SERVICES

This segment covers STFC's support and operational functions covering corporate ICT infrastructure and support at RAL and DL, estates management, health, safety and environment, human resources and security. It also covers the legal and commercial services for the whole organisation.

FINANCE

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

STRATEGY, PLANNING AND COMMUNICATIONS (SPC)

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

3. STAFF COSTS

Staff costs comprise:

	2015-16 £000	2014-15 re-presented £000
Wages and salaries	74,399	68,037
Social security costs	6,545	5,968
Other pension costs	17,375	16,235
Total staff costs	98,319	90,240

For further information on staff costs and numbers, please see the Remuneration and Staff Report.

4. INCOME

	2015-16 £000	2014-15 re-presented £000
Operating income		
Facilities access and development	(53,905)	(59,051)
Science programme and project work	(2,792)	(2,641)
Other services	(9,990)	(11,063)
Total Operating income	(66,687)	(72,755)
Finance income		
Bank interest receivable	(355)	(344)
Total Finance income	(355)	(344)
Total income	(67,042)	(73,099)

Operating income includes £2.1m (2014-15: £4.9m) received from the European Commission.

The geographical analysis of operating income is:

	2015-16 £000	2014-15 £000
UK	43,170	44,351
Foreign	23,517	28,404
Total	66,687	72,755

Revenue is allocated based on the country in which the customer is located.

The Council receives substantial funding from the science budget through its sponsor department BIS (see Statement of Changes in Taxpayers' Equity for details). In addition, science budget funding accounts for a further £8.6m (2014-15: £14.7m) of income being income from the other UK Research Councils.

There are no external customers accounting for 10% or more of total revenue.

5. OPERATING EXPENDITURE

5.1 PURCHASE OF GOODS AND SERVICES

	2015-16	2014-15 re-presented
	£000	£000
Rentals under operating leases	1,740	998
Accommodation	32,570	30,966
Bank charges	14	24
Consultancy	3,428	5,308
Finance and HR services	827	215
IT costs / support costs	8,883	9,926
Training and other staff costs	2,566	2,473
Restructuring costs	(37)	(315)
UK travel and subsistence	4,595	4,471
Overseas travel and subsistence	2,307	2,352
Telecommunications cost	702	605
Advertising and publicity	234	206
Media and design services	86	35
Audit fees	168	152
International subscriptions	152,532	147,761
Professional subscriptions	104	184
Postage and freight	801	691
Catering services	4,380	4,330
Miscellaneous other costs	19,364	28,461
Losses and compensation	(4)	583
Other audit costs	262	254
Total	235,522	239,680
International subscriptions are comprised of:		
	2015-16	2014-15
	£000	£000
European Organisation for Nuclear Research (CERN)	107,585	105,739
European Southern Observatory (ESO)	20,381	18,807
Institut Laue-Langevin (ILL)	16,720	15,350
European Synchrotron Radiation Facility (ESRF)	7,846	7,839
European Science Foundation (ESF)	-	26
Total	152,532	147,761

AUDITORS' REMUNERATION

Audit fees include auditors remuneration of £130,000 (2014-15: £135,000) for the 2015-16 audit of the Science and Technology Facilities Council, £14,000 (2014-15: £12,000) for the audit of SIL and £32,000 (2014-15: £0) paid to ESO to cover its audit costs.

These figures have been offset by an £8,000 over accrual relating to the 2014-15 audit of the STFC, the fee for which was finalised after the publication of the 2014-15 financial statements.

5.2 DEPRECIATION AND IMPAIRMENT CHARGES

	2015-16	2014-15 re-presented
	£000	£000
Depreciation	62,528	56,549
Amortisation of intangible assests	1,370	648
Impairment PPE	67	13
Total	63,965	57,210

5.3 PROVISION EXPENSE

	2015-16	2014-15 re-presented
	£000	£000
Movement in bad debt provision	24	33
Decommissioning provision movement	29,634	(1,358)
Change in price levels - Decommissioning provision	33,103	-
Total	62,761	(1,325)

5.4 RESEARCH AND DEVELOPMENT

	2015-16	2014-15 re-presented
	£000	£000
Research Grants		
Astronomy	41,160	39,991
Particle physics	46,411	42,310
Other	12,120	10,855
Total Research Grants	99,691	93,156
Post graduate training awards and fellowships	23,407	22,082
Research and research support	31,432	38,271
DLS operations funding	46,708	45,811
Total	201,238	199,320

5.5 OTHER OPERATING EXPENDITURE

	2015-16		2014-15 re-presented	
	£000	£000	£000	£000
	STFC	Consolidated	STFC	Consolidated
Loss on disposal - assets held for sale	7	7	-	-
Loss on disposal – PPE	22	22	209	209
Profit on disposal – PPE	(7)	(7)	40	40
Share of loss of joint ventures and associates	-	30,623	-	27,856
Total	22	30,645	249	28,105

6. DISCONTINUED OPERATIONS

	2015-16	2014-15 re-presented
	£000	£000
Expenditure		
Staff costs	-	358
Purchases of goods and services	-	2,526
Depreciation and impairment	-	2,930
Revaluation of assets held for sale	-	(678)
Total Expenditure	-	5,136
Income		
Income from operating activities	-	(1,391)
Total income	-	(1,391)
Net expenditure from discontinued operations for the year	-	3,745

Cash flows from discontinued operations are as follows:

	2015-16	2014-15
	£000	£000
Net cash outflow from operating activities	(1,389)	(2,520)
Net cash inflow from investing activities	671	-
Net cash inflow from financing activities	-	2,185
Net cash outflow	(718)	(335)

In June 2013, STFC was granted approval by BIS to transfer the ownership and operation of its two telescopes (UKIRT and JCMT) and facilities at the Joint Astronomy Centre (JAC) in Hawaii to new operators. This was driven by the desire to withdraw from ownership of overseas facilities and to free up funds to invest in new facilities. UKIRT was transferred to a consortium in October 2014. The JCMT was transferred to a different consortium in December 2015 but had become a discontinued operation at the end of 2014-15; STFC received £0.7m (US \$1m) for the sale of the interest in a building.

7. PROPERTY, PLANT AND EQUIPMENT

	Land	Buildings	Plant and equipment	Information technology	Assets under construction	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
At 1 April 2015	33,731	479,665	837,557	91,687	125,989	1,568,629
Additions	-	-	10,267	24	41,905	52,196
Disposals	-	(53,665)	(35,456)	(632)	-	(89,753)
Impairments	-	-	(67)	-	-	(67)
Reclassifications	-	48,520	32,534	5,222	(91,308)	(5,032)
Revaluations	1,241	21,370	5,760	784	-	29,155
At 31 March 2016	34,972	495,890	850,595	97,085	76,586	1,555,128
Depreciation						
Balance at 1 April 2015	-	(250,282)	(547,461)	(39,495)	-	(837,238)
Charged in year	-	(12,720)	(33,596)	(16,212)	-	(62,528)
Disposals	-	53,665	35,438	628	-	89,731
Reclassifications	-	-	-	142	-	142
Revaluations	-	(12,650)	(3,662)	(784)	-	(17,096)
At 31 March 2016	-	(221,987)	(549,281)	(55,721)	-	(826,989)
Carrying amount at 31 March 2016	34,972	273,903	301,314	41,364	76,586	728,139
Carrying amount at 31 March 2015	33,731	229,383	290,096	52,192	125,989	731,391
Asset financing:						
Owned	34,972	273,903	301,314	41,364	76,586	728,139
Carrying amount at 31 March 2016	34,972	273,903	301,314	41,364	76,586	728,139

	Land	Buildings	Plant and equipment	Information technology	Assets under construction	Total
	£000	£000	£000	£000	£000	£000
Cost or valuation						
Balance at 1 April 2014	33,731	502,326	872,998	70,948	88,118	1,568,121
Additions		(114)	7,729	-	67,850	75,465
Disposals		(28,473)	(74,607)	(1,513)	-	(104,593)
Impairments			(13)	-	-	(13)
Reclassifications		5,926	2,226	21,659	(29,979)	(168)
Revaluations			29,224	593	-	29,817
At 31 March 2015	33,731	479,665	837,557	91,687	125,989	1,568,629
Depreciation						
Balance at 1 April 2014	-	(266,736)	(569,386)	(28,637)	-	(864,759)
Charged in year		(11,771)	(35,530)	(12,178)	-	(59,479)
Disposals		28,225	74,586	1,513	-	104,324
Revaluations			(17,131)	(193)	-	(17,324)
At 31 March 2015	-	(250,282)	(547,461)	(39,495)	-	(837,238)
Carrying amount at 31 March 2015	33,731	229,383	290,096	52,192	125,989	731,391
Carrying amount at 31 March 2014	33,731	235,590	303,612	42,311	88,118	703,362
Asset financing:						
Owned	33,731	229,383	290,096	52,192	125,989	731,391
Carrying amount at 31 March 2015	33,731	229,383	290,096	52,192	125,989	731,391

- Reclassifications are transfers between PPE categories. When assets under construction (AUC) are brought into use, they are reclassified from AUC to the appropriate category of property, plant and equipment or intangible assets.
- AUC comprises projects to build and improve site infrastructure, and to construct scientific facilities and instruments. Total AUC at 31 March 2016 includes ISIS TS2 instruments £19.1m and ISIS projects £18.6m.
- Plant and equipment net book value at 31 March 2016 includes £10.1m (31 March 2015: £10.2m) for science facility decommissioning costs.
- Independent qualified professional valuations are obtained for all property, plant and equipment every five years and are revised in the intervening years by the use of appropriate indices.

Polaris House is owned jointly by a number of the Research Councils and is professionally valued every five years and modified in the intervening years by the use of appropriate indices. The interest in the Polaris House property was valued at existing use value (EUV) as at 31 December 2015 by GVA.

Land and buildings at DL, Chilbolton Observatory and the UK ATC were professionally valued by GVA James Barr as at 31 January 2014 with no change confirmed at 31 March 2014. Land and buildings at RAL were professionally valued by GVA James Barr on 31 March 2013. The building assets have been valued on a depreciated replacement cost (DRC) basis due to the specialist nature of the assets. The land assets have been valued at EUV with the exception of farmland which is assessed at market value.

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

All valuations were undertaken by RICS qualified quantity surveyors in accordance with the Valuation Standards of the Royal Institute of Chartered Surveyors, IFRS and guidelines in HM Treasury's FReM.

8. INTANGIBLE ASSETS

	Information Technology	Software Licences	Assets under construction	Total
	£000	£000	£000	£000
Cost or Valuation				
Balance at 1 April 2015	3,884	865	-	4,749
Additions	-	-	12,140	12,140
Disposals	(8)	-	-	(8)
Reclassifications	5,032	-	-	5,032
Revaluations	95	(6)	-	89
At 31 March 2016	9,003	859	12,140	22,002
Amortisation				
Balance at 1 April 2015	(2,526)	(531)	-	(3,057)
Charged in year	(1,214)	(156)	-	(1,370)
Disposals	8	-	-	8
Reclassifications	(142)	-	-	(142)
Revaluations	(53)	(5)	-	(58)
At 31 March 2016	(3,927)	(692)	-	(4,619)
Carrying amount at 31 March 2016	5,076	167	12,140	17,383
Carrying amount at 31 March 2015	1,358	334	-	1,692
Asset financing:				
Owned	5,076	167	12,140	17,383
Carrying amount at 31 March 2016	5,076	167	12,140	17,383

	Information Technology £000	Software Licences £000	Total £000
Cost or Valuation			
Balance at 1 April 2014	3,863	788	4,651
Disposals	(135)	(39)	(174)
Impairments	1	-	1
Reclassifications	71	97	168
Revaluations	84	19	103
At 31 March 2015	3,884	865	4,749
Amortisation			
Balance at 1 April 2014	(2,150)	(381)	(2,531)
Charged in year	(484)	(165)	(649)
Disposals	135	39	174
Reclassifications	12	(12)	-
Revaluations	(39)	(12)	(51)
At 31 March 2015	(2,526)	(531)	(3,057)
Carrying amount at 31 March 2015	1,358	334	1,692
Carrying amount at 3 March 2014	1,713	407	2,120
Asset financing:			
Owned	1,358	334	1,692
Carrying amount at 31 March 2015	1,358	334	1,692

a. Independent qualified professional valuations are obtained for all intangible assets every five years and are revised in the intervening years by use of appropriate indices.

b. Intangible assets were professionally re-valued on a depreciated replacement cost basis as at 31 March 2012 by Hickman-Shearer, in accordance with the RICS Appraisal and Valuation manual.

9. DERIVATIVES AND OTHER FINANCIAL INSTRUMENTS

The Council is not exposed to the degree of financial risk faced by business entities, because of the largely non-trading nature of its activities and the way in which Government bodies are financed, hence financial instruments play a limited role in creating or changing risk.

CREDIT RISK

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

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

LIQUIDITY RISK

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

INTEREST-RATE RISK

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

FOREIGN EXCHANGE RATE RISK

Foreign exchange risk arises when STFC enters into transactions denominated in a foreign currency. STFC pays a significant amount in currency for membership fees to the international collaborations of CERN, ESO, ESRF and ILL. STFC policy is to take out forward contracts arranged by the Bank of England to cover up to 90% of its annual international subscriptions due over the course of the current spending review period.

The amount of outstanding forward foreign exchange contracts at 31 March 2016 was nil (31 March 2015: £111.7m) with fair value nil (31 March 2015: £1.9m liability).

There were no forward contracts held at the year end as STFC was in discussion with BIS to obtain agreement to enter into forward contracts to cover the spending review period 2016-17 to 2019-20 in line with STFC policy.

	2016	2015
	£000	£000
Fair Value of forward contracts		
Balance at 1 April	(1,913)	(2,262)
Additions	-	(1,913)
Redemptions	1,913	2,262
Balance at 31 March	-	(1,913)

10. INTERESTS IN JOINT VENTURES AND OTHER INVESTMENTS

10.1 INTERESTS IN JOINT VENTURES

ANALYSIS OF JOINT VENTURES

Consolidated	DLSL	ILL	HSIC	DSIC	Total
	£000	£000	£000	£000	£000
At 1 April 2014	394,667	31,788	3,747	996	431,198
Investment additions	28,217	-	4,000	-	32,217
Revaluation	(31,363)	(480)	-	-	(31,843)
Share of joint ventures net (expenditure)/income	(28,361)	-	522	(17)	(27,856)
At 31 March 2015	363,160	31,308	8,269	979	403,716
Investment additions	30,434	-	-	-	30,434
Revaluation	1,269	6,583	-	-	7,852
Share of joint ventures net (expenditure)/income	(30,040)	-	(572)	(11)	(30,623)
At 31 March 2016	364,823	37,891	7,697	968	411,379
STFC					
At 1 April 2014	454,746	1	4,099	1,054	459,900
Investment additions	28,217	-	4,000	-	32,217
At 31 March 2015	482,963	1	8,099	1,054	492,117
Investment additions	30,434	-	-	-	30,434
At 31 March 2016	513,397	1	8,099	1,054	522,551

The revaluation of investment in ILL relates to the movement in STFC share of the ILL capital investment reserve. The adjustment is taken to revaluation reserve.

The revaluation of investment in DLSL relates to the adjustment required to take account of a difference in accounting policy between STFC and DLSL. The adjustment is taken to revaluation reserve.

A) DIAMOND LIGHT SOURCE LIMITED (DLSL)

STFC has an 87.6% (31 March 2015: 87.7%) interest in DLSL, a company incorporated and operating in England. DLSL was established for the construction and operation of a synchrotron facility.

DLSL is a separate structured vehicle under the joint control of STFC and the Wellcome Trust. STFC has a residual interest in its net assets. Accordingly STFC has classified its interest in DLSL as a joint venture which is equity accounted.

STFC holds 86% (31 March 2015: 86%) of DLSL ordinary share capital and 100% (31 March 2015: 100%) non-voting redeemable shares. The purpose of the redeemable shares is to provide for the funding of irrecoverable VAT incurred during the construction and operation of the synchrotron facility.

STFC investment in DLSL is equity accounted after adjusting DLSL financial statements for differences in accounting policy. STFC share of DLS is based on its ordinary and redeemable shares held at the year end. STFC accounts for its investment in DLS when the cost is incurred.

The following is summarised financial information for DLSL taken from its Financial Statements.

	31 March 2016	31 March 2015
	£m	£m
Current assets	15.0	11.8
Non-current assets	401.8	382.7
Current liabilities	15.3	17.4
Non-current liabilities	52.7	26.9
Net assets	348.8	350.2
Included in the above amounts are:		
Cash and cash equivalents	10.6	4.8
Revenues	56.9	50.1
Loss from continuing operations	34.3	32.3
Included in the above amounts are:		
Depreciation and amortisation	34.7	32.5

STFC's share of DLSL capital commitments is £7.6m (2015: £17.0m)

B) INSTITUT LAUE-LANGEVIN (ILL)

STFC has a 33% shareholding and 27.5% net interest (31 March 2015: 27.5% net interest) in the ILL; an international research centre for neutron science, incorporated and operating in France. STFC is the UK representative and, along with the French and German Foreign Ministries, jointly controls the ILL. The ILL is a separate structured vehicle and STFC has a residual interest in its net assets. Accordingly STFC has classified its interest in ILL as a joint venture which is equity accounted.

ILL prepares accounts to 31 December (in euros). The ILL's annual accounts are produced in accordance with the methods and principles of the French standard chart of accounts, as ratified by the ministerial order of 22 June 1999, and amended and supplemented subsequent to this ratification by various regulations issued by the French accounting regulatory committee.

The following table is summarised financial information for ILL taken from its financial statements and converted to sterling (STFC incorporates the most recent ILL annual accounts).

	31 December 2015 (STFC accounts 2015-16)	31 December 2014 (STFC accounts 2014-15)
	£m	£m
Current assets	189.5	153.4
Non-current assets	118.6	111.5
Current liabilities	44.0	27.9
Non-current liabilities	126.1	109.5
Net assets	138.0	127.5
Included in the above amounts are:		
Cash and cash equivalents	39.9	21.8
Revenues	71.2	70.9
Profit from continuing operations	-	-
Included in the above amounts are:		
Depreciation and amortisation	8.1	8.0

C) HARWELL SCIENCE AND INNOVATION CAMPUS PUBLIC SECTOR LIMITED PARTNERSHIP (HSIC PUBSP)

STFC holds a 34% (31 March 2015: 34%) interest in HSIC PubSP, a company registered in Scotland. Management and control of PubSP is jointly shared by STFC and the UKAEA, with financial interests reflecting the relative contributions of the partners; it is classified as a joint venture which is equity accounted. The principle activity of the joint venture is to manage and realise or dispose of, a limited partnership in the Harwell Science and Innovation Campus Limited Partnership (HSIC LP)

HSIC LP was created for the purpose of developing the Harwell Oxford campus. The partners in HSIC LP are Harwell Oxford Developments Limited – a joint venture comprising Development Securities plc and Harwell Oxford Partners – and HSIC PubSP. HSIC LP is a 50:50, public: private partnership.

The following is summarised financial information for HSIC PubSP taken from its financial statements.

	31 March 2016 £'000	31 March 2015 £'000
Current assets	12,921	15,173
Non-current assets	5,240	5,179
Current liabilities	19	10
Non-current liabilities	244	244
Net assets	17,898	20,098
Included in the above amounts are:		
Cash and cash equivalents	12,888	14,664
Revenues	69	656
Profit from continuing operations	(2,200)	2,373
Included in the above amounts are:		
Interest income	27	95
Increase/(decrease) in value of investment in joint venture	(200)	1,765

D) DARESBUY SIC (PUBSEC) LLP

STFC holds a 50% (31 March 2015: 50%) interest in Daresbury SIC (Pubsec) LLP a company registered in England. Daresbury SIC (Pubsec) LLP is a partnership between STFC and Halton Borough Council in which management and control is shared equally between the partners; it is classified as a joint venture which is equity accounted. The principle activity of the joint venture is to promote and develop the International Science Park at Daresbury, as a partner in the Daresbury Science and Innovation Campus Limited Liability Partnership (DSIC LLP). The other partner in DSIC LLP is Langtree, a commercial property development company.

The following is summarised financial information for Daresbury SIC (Pubsec) LLP taken from its Financial Statements.

	31 March 2016	31 March 2015
	£'000	£'000
Current assets	797	805
Non-current assets	1,055	1,055
Current liabilities	980	965
Non-current liabilities	-	-
Net assets	872	895
Included in the above amounts are:		
Cash and cash equivalents	797	805
Revenues	-	-
Loss from continuing operations	23	34
Included in the above amounts are:		
Interest income	1	1

10.2 OTHER INVESTMENTS

UK SHARED BUSINESS SERVICES LIMITED (REGISTERED IN ENGLAND)

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

OTHER

INTERNATIONAL COLLABORATIONS

In addition to the ILL, STFC is a member of CERN, ESO, and ESRF and has voting powers in each of these organisations. STFC also holds 14% of the common shares in ESRF but following its signing of the ESRF Protocol in June 2014, pays a contribution of 10.5% with a corresponding level of facility access. Once the new Protocol has been ratified by all Member countries, 3.5% of the UK shareholding (350 shares) will be legally transferred to Russia.

STFC does not have the ability or power to exercise significant influence over CERN, ESO or ESRF. The financial results of these organisations are not reflected in STFC's Financial Statements and the contributions to these organisations are included as expenditure through the Statement of Comprehensive Net Expenditure.

SPECTRUM (GENERAL PARTNER) LIMITED

STFC holds 21.9% (31 March 2015: 21.9%) of the ordinary shares in Spectrum (General Partner) Limited (registered in England). This company was set up to act as the Advisory Board for the Rainbow Seed Fund (RSF) and its purpose is to ensure that the RSF operates within the parameters set out by BIS and to monitor the performance of the fund and the fund manager.

The RSF is a limited partnership comprised of four core partners (STFC, BBSRC, the Natural Environment Research Council (NERC) and the Defence Science and Technology Laboratory (DSTL)) and six associate partners (UKAEA, The Food and Environment Research Laboratory (FERA), The Health Protection Agency

(HPA), The Animal Health Veterinary Laboratories Agency (AHVLA), The National Physical Laboratory (NPL) and The James Hutton Institute). The fund provides seed capital investment to commercialise the outcomes of science research in the publicly funded partner organisations' Government facilities. Midven Limited manages the fund under contract. No entry is made in the Statement of Financial Position as the value of the holdings and the trading position of this company is not material to the accounts.

NEOS INTERACTIVE LIMITED

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

11. OTHER FINANCIAL ASSETS

	Private sector loans	Private equities	Total
	£000	£000	£000
Balance at 1 April 2014	9,701	454	10,155
Additions	70	226	296
Balance at 1 April 2015 re-presented	9,771	680	10,451
Additions	-	1	1
Accrued loan interest (re-classified)	1,624	-	1,624
Balance at 31 March 2016	11,395	681	12,076

Other financial assets analysed between current and non-current assets:

	31 March 2016	31 March 2015
	£000	£000
Due within twelve months	-	-
Due after twelve months	12,076	10,451
Total	12,076	10,451

Private sector loans include £11.087m (£9.463m loan notes and £1.624m accrued interest) due from Daresbury SIC LLP. The loan notes were transferred from the NWDA and received in exchange for properties contributed to the Daresbury SIC LLP. They become due and receivable after a five years holiday on payment and are subject to an agreed repayment profile. They carry interest at a rate of 3% per annum but receipt is deferred until three years from the date of completion.

A. STFC INNOVATIONS LIMITED (SIL)

STFC Innovations Limited (registered in England) is a wholly owned subsidiary of STFC; STFC's current shareholding in SIL is one ordinary share of £1. SIL was established to manage and commercially exploit intellectual property owned by STFC for the benefit of the United Kingdom economy in accordance with HM Government policy.

In 2015-16, SIL incurred a trading deficit of £0.245m (2014-15: £0.290m). The trading deficit is underwritten in full by STFC.

STFC investment in SIL is accounted in STFC's Financial Statements in accordance with IFRS 10 Consolidated Financial Statements. SIL's accounting year end is 31 March. The aggregate deficit of capital and reserves at 31 March 2016 was £8.566m (31 March 2015: £8.321m).

B. UNLISTED INVESTMENTS HELD BY SIL

At 31 March 2016, SIL held interests in the following undertakings:

	Country of incorporation	Class of shares held	Proportion held	Aggregate of capital & reserves	Profit/(loss) for the year
			%	£000	£000
Oxsensis Limited	England and Wales	Ordinary	3	(4,380)	(1,576)
Microvisk Limited	England and Wales	Ordinary	1	651	(4,833)
Cobalt Light Systems Limited	England and Wales	Ordinary	20	3,888	(512)
Quantum Detectors Limited	England and Wales	Ordinary	90	402	290
The Electrospinning Company Limited	England and Wales	Ordinary	24	238	(75)
Scitech Precision Limited	England and Wales	Ordinary	100	236	26
Teratech Components Limited	England and Wales	Ordinary	50	309	88
KEIT Limited	England and Wales	Ordinary	25	504	(667)
L3 Technology Limited	England and Wales	Ordinary	1	(170)	(53)
Exa Informatics Limited	England and Wales	Ordinary	22	-	-
MIRICO	England and Wales	Ordinary	30	-	(103)
VivaMOS Limited	England and Wales	Ordinary	63	(212)	(120)

All other unlisted investments are held at £nil.

12. TRADE RECEIVABLES, FINANCIAL AND OTHER ASSETS

	31 March 2016	31 March 2015 re-presented
	£000	£000
Amounts falling due within one year:		
Trade receivables	10,854	8,712
Other receivables	651	1,944
Prepayments	14,336	28,096
Accrued income	15,427	16,785
Total	41,268	55,537
Amounts falling due after more than one year:		
Trade receivables	312	263
Other receivables	623	1,010
Prepayments	3,550	3,636
Total	4,485	4,909
Total Receivables	45,753	60,446

Included within Trade receivables is £1.4m for amounts due from related parties (2015: £2.6m).

Included within accrued income is £1.172m (2014-15: £1.188m) of income relating to EU funding.

In consideration of a one off payment of £4.095m the Council has leased land from the UKAEA for a period of 50 years from 1 January 2003. In accordance with IAS 17, this lease has been recognised as a current and non-current prepayment £0.082m (2014-15: £0.082m) and £2.928m (2014-15: £3.010m) respectively.

Trade receivables are net of a provision for impairment:

	2016	2015
	£'000	£'000
Provision at beginning of the period	551	518
Charged to SCNE	357	469
Utilised during the period	(4)	(17)
Released during the period	(329)	(419)
Provision at end of the period	575	551

At 31 March 2016 trade receivables of £2,819k (2015: £2,121k) were due past but not impaired. The ageing analysis of these receivables is as follows:

	2016	2015
	£'000	£'000
0 – 60 days past due	1,166	1,606
61 – 360 days past due	1,653	511
Over 360 days past due	-	4
	2,819	2,121

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

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

13. CASH AND CASH EQUIVALENTS

	31 March 2016	31 March 2015 re-presented
	£000	£000
Balance at 1 April	(2,272)	3,749
Net change in cash and cash equivalent balances	2,705	(6,021)
Balance as 31 March	433	(2,272)
The following balances were held at 31 March:		
The Government Banking Service (GBS)	(458)	(2,710)
Commercial banks and cash in hand	891	438
Total	433	(2,272)

14. TRADE PAYABLES AND OTHER CURRENT LIABILITIES

	31 March 2016	31 March 2015 re-presented
	£000	£000
Amounts falling due within one year:		
VAT	881	739
Other taxation and social security	2,753	1,680
Trade payables	4,758	15,303
Other payables	3,336	1,332
Accruals	36,629	43,136
Deferred income	16,426	10,091
Total	64,783	72,281
Amounts falling due after more than one year:		
Other payables	1,104	2,044
Total	1,104	2,044
Total payables	65,887	74,325

15. PROVISIONS FOR LIABILITIES AND CHARGES

	31 March 2016	31 March 2015
	£000	£000
Balance at 1 April	33,882	35,017
Provided in the year	29,634	-
Provisions not required written back	-	(1,358)
Changes in price level	33,103	-
Borrowing costs (unwinding of discount)	235	223
Balance at 31 March	96,854	33,882

ANALYSIS OF EXPECTED TIMING OF DISCOUNTED CASH FLOWS

	31 March 2016	31 March 2015
	£000	£000
Due within one year	6,600	-
Non-current liabilities:		
Due later than one year and not later than five years	12,399	1,024
Due later than five years	77,855	32,858
Total non-current liabilities	90,254	33,882
Total	96,854	33,882

	31 March 2016	31 March 2015
	£000	£000
Analysis of provisions:		
Decommissioning:		
ISIS	47,077	11,099
ILL	23,954	21,472
Other	1,429	1,311
Total Decommissioning provision	72,460	33,882
Removal of ISIS legacy waste	24,394	-
Total provisions	96,854	33,882

DECOMMISSIONING COSTS

The decommissioning provision represents the estimated costs of decommissioning STFC science facilities and STFC's share of the estimated decommissioning costs for the joint venture ILL. For STFC-owned facilities, the best estimate of the cost of the liabilities is discounted based on HM Treasury's real discount rates which range from -1.55% to -0.8%, depending on the term of the provision.

STFC has plans to decommission the ISIS pulsed neutron source and the associated Second Target Station at RAL at the end of its anticipated operating life in 2040. In preparing the best estimate of the provision required to settle the decommissioning obligation, it is recognised that there remains a significant degree of inherent uncertainty in the future cost estimates. Given the long term nature of the provision, even small changes to timing or costs could significantly impact the value of the provision. There are currently three main areas of uncertainty:

- when the facility might reach the end of its anticipated operating life - although the most likely estimate is 2040, it is possible that the life of the facility could be extended were future investment to be made, or brought forward if the demand for the facility falls against current expectations;
- the length of time over which the necessary programme of work will be delivered – we have estimated the full process will take 55 years from 2040 to 2095 but this estimate could be revised over coming years as the certainty increases over the exact decommissioning work which needs to take place; and
- potential regulatory or technological changes which could impact the work to be undertaken to decommission and clean up the site – these could require a different approach to be taken to the planned route of decommissioning. More onerous regulatory requirements could result in higher than expected costs being incurred, whilst technological efficiencies could decrease the anticipated costs.

A new ISIS provision has been included in 2015-16 for the disposal of legacy waste now required after a change in Environment Agency guidance in relation to re-classification of legacy stored radioactive materials as waste (see also page 18 and 29). This provision covers a 15 year period from 2016 to 2031 and has been calculated based on STFC's long experience of radioactive waste disposal, contracts in place at present, and advice taken from a professional quantity surveyor in relation to the building of a new waste disposal facility. There is uncertainty relating to the requirements of the EA licence, timing of activities and exact level of waste characterisation at time of disposal. The main sensitivity is around the level of radioactivity of the waste at the time of the disposal and the cost of disposal varies between categories of waste. The estimate is based on currently expected levels of radioactivity, the best and worst case scenarios for the waste disposal range between £22m and £35m.

The ILL decommissioning provision is taken as STFC share (33%) of the total decommissioning provision disclosed in the latest available ILL annual accounts. ILL has calculated its provision assuming a cessation of operations in 2031 with demolition in 2037. The ISIS decommissioning provision is reviewed annually.

16. CAPITAL AND OTHER COMMITMENTS

Total minimum payments in respect of capital and lease commitments

	Note	31 March 2016 £000	31 March 2015 £000
Contracted capital commitments	16.1	63,272	28,816
Minimum future payments under operating leases:			
Not later than one year		111	28
Later than one year and not later than five years		17	46
Total		63,400	28,890

Total payments in the next financial year in respect of other financial commitments

	Note	31 March 2016 £000	31 March 2015 £000
Other financial commitments payable in the next financial year	16.2	274,283	247,803
Total		274,283	247,803

16.1 CAPITAL COMMITMENTS

	31 March 2016 £000	31 March 2015 £000
Contracted capital commitments not otherwise included in these financial statements:		
Property, plant and equipment	9,964	27,464
Intangible assets	53,308	1,352
Total	63,272	28,816

NON-CANCELLABLE OPERATING LEASES: LESSOR

Total non-cancellable lessor payments under operating leases are given in the table below for each of the following periods:

	31 March 2016 £'000	31 March 2015 £'000
Obligations under non cancellable operating leases comprise:		
Not later than one year	1,037	1,097
Later than one year and not later than five years	1,047	581
Total	2,084	1,678

All operating leases where STFC is the lessor relate to tenancy agreements. The standard termination clause is three months.

16.2 OTHER FINANCIAL COMMITMENTS

16.2.1 INTERNATIONAL SUBSCRIPTIONS

Organisation	Within one year	Later than one year and not later than five years	Later than five years	Total 2015-16	Total 2014-15
	£000	£000	£000	£000	£000
CERN	131,366	71,880	-	203,246	176,117
ESO	22,184	10,489	-	32,673	28,073
ESRF	7,624	21,764	-	29,388	35,139
ILL	15,588	66,227	46,990	128,805	131,996
Total	176,762	170,360	46,990	394,112	371,325

NOTES:

STFC is a member of the international collaborations listed above.

- a. International collaborations are established to share the cost of building and running major research facilities. The management, regulation and governance of a collaboration being set down in an agreement signed up to by all members. This will include a period of notice of withdrawal from the collaboration. The political nature of these arrangements is such that any withdrawal would be negotiated at government level. STFC has no current intention to withdraw from its membership of CERN, ESO, ESRF and ILL and in all cases would wish to honour research commitments made.
- b. CERN and ESO require a minimum notice period of 12 months from the end of the current calendar year.
- c. In the case of ESRF and ILL the UK has signed up to International Conventions which are periodically reviewed. The current ESRF Convention runs until the end of 2019. Notice can be given up to 31 December 2016 for withdrawal after 31 December 2019. For ILL, the fifth protocol of the Intergovernmental Convention was signed on 1 July 2013 and will remain in force until 31 December 2023. Thereafter it shall be tacitly extended from year to year unless any of the Governments gives written notification to the other Governments of its intention to withdraw from the Convention. Any such withdrawal will take effect upon the expiry of two years from the date of receipt of the notification by any of the other members or on such later date as may be specified in the notification.

16.2.2 GRANT COMMITMENTS

STFC had the following commitments at the balance sheet date:

Commitments	Within one year	Within two to five years	Expiry over five years	Total 2015-16	Total 2014-15
	£000	£000	£000	£000	£000
Research and Postgraduate Awards	97,521	119,520	-	217,041	186,282
Total	97,521	119,520	-	217,041	186,282

Grant commitments exclude grants that are paid by STFC on behalf of the UK Space Agency as they are reimbursed.

17. CONTINGENT LIABILITIES

17.1 CONTINGENT LIABILITIES DISCLOSED UNDER IAS37 - QUANTIFIABLE

STFC had the following quantifiable contingent liabilities as at 31 March 2016:

- a. £12.2m (2014-15: £10.4m) in respect of STFC share of ILL unfunded provisions for staff related costs (e.g. early retirement) and costs associated with reprocessing irradiated fuel elements. As there has been no past obligating event these costs are treated as a contingent liability in accordance with IAS37.
- b. £2.0m (2014-15: £1.9m) in respect of ESRF decommissioning costs associated with the dismantling of the facility and infrastructures. Decommissioning occurs on winding up of ESRF. If exit by the UK (or any other member) results in ESRF being wound up, the members are required to arrange for decommissioning of ESRF's plant and buildings and to meet the costs of doing so in proportion to their share of capital at the time of dissolution. As there has been no past obligating event these costs are treated as a contingent liability in accordance with IAS37.

17.2 CONTINGENT LIABILITIES – UNQUANTIFIABLE

STFC had the following unquantifiable contingent liability as at 31 March 2016:

STFC currently occupies space within the Cockcroft Institute building on the Sci-Tech Daresbury campus. The lease for the Cockcroft Institute (CI) building is held by the University of Liverpool and is due to expire on 31st March 2017. Under the terms of the CI agreement, all the partners (University of Liverpool, University of Manchester, Lancaster University and STFC) will be liable to pay a share of the dilapidations charged by the landlord at the end of lease. It is uncertain at this time if the lease will be renewed in 2017.

18. RELATED-PARTY TRANSACTIONS

STFC is a Non-Departmental Public Body (NDBP) sponsored by BIS. BIS is regarded as a related party. During the year, the STFC has had various material transactions with BIS and with other entities for which BIS is regarded as the parent department: Biotechnology and Biological Sciences Research Council, Engineering and Physical Sciences Research Council, Medical Research Council, Natural Environment Research Council, Innovate UK, UK Space Agency and UK Shared Business Services Limited.

During the year, STFC made grants and awards to and purchased goods and services from institutions or other bodies where Council members hold senior positions. The aggregate values are disclosed in the following table:

Organisation	Council Member	Number of grants	Value of grants £'000	Value of goods and services £'000
Imperial College London	Professor Jordan Nash	32	9,322	701
National Physical Laboratory	Dr Brian Bowsher			31
University College London	Professor David Price FGS	57	6,452	383
University of Bath	Professor Carole Mundell	2	37	39
University of Kent	Professor Dame Julia Goodfellow	5	148	12
University of Oxford	Professor John Womersley	51	12,637	737

None of the above named persons were involved in the authorisation of grants or awards or was involved in the placing of contracts with their related organisations.

The STFC also provided time on its scientific facilities, either paid for directly by users, or funded by grant-giving bodies (principally the other UK Research Councils) to researchers, some of whom may be associated with the organisations listed in the table above.

Transactions between STFC and its joint ventures and balances outstanding are disclosed in the following table:

		Transaction amount		Balance	
		Expense / (income)		Debtor / (Creditor)	
		2016	2015	2016	2015
Joint Venture	Type of transaction	£'000	£'000	£'000	£'000
DLSL	Services provided	(1,961)	(1,653)	408	442
	Purchases	105	106	-	(10)
	Funding operations	46,708	45,811	(1,199)	(4,944)
	Purchase of shares	30,434	28,217	(2,011)	(4,469)
ILL	UK membership subscription	16,720	15,350	-	-
HSIC (PubSP)	Capital injection	-	4,000	-	-
HSIC LP	Admin service charge	(32)	(32)	8	-
	Rent and service charge	412	652	-	(3)

Professor John Womersley (CEO and Council member) is a director of the SKA Organisation; a global project to build the world's largest and most sensitive radio telescope. STFC is the UK member of SKA and contributed £1.7m in 2015-16 (2014-15: £1.2m).

No board or council member has undertaken any material transactions with the STFC during the year.

19. THIRD-PARTY ASSETS

STFC held £2.0m of third party assets at 31 March 2016 (31 March 2015: £0.5m). This is cash held relating to EU projects to be paid to third parties, where STFC acts as a co-ordinator on European Union framework agreements.

20. EVENTS AFTER THE REPORTING PERIOD DATE

In accordance with the requirements of IAS10, *Events After the Reporting Period*, post Statement of Financial Position events are considered up to the date on which the accounts are authorised for issue, this is interpreted as the same date as the date of the Certificate Report of the Comptroller and Auditor General.

1. John Womersley the CEO announced that he will be leaving STFC on 31 October this year to become the next Director-General of the European Spallation Source (ESS), based in Lund in Sweden.
2. On 23 June, the EU referendum took place and the people of the United Kingdom voted to leave the European Union. Until exit negotiations are concluded, the UK remains a full member of the European Union and all the rights and obligations of EU membership remain in force. During this period the Government will continue to negotiate, implement and apply EU legislation. It will be for the Government, under the new Prime Minister to begin negotiations to exit the EU. The outcome of these negotiations will determine what arrangements apply in relation to EU legislation and funding in future once the UK has left the EU. This is therefore a non-adjusting event for which no estimate of its financial effect on the reporting entity can be made.
3. By French ministerial order of 15th January 2016, the cost of implementing solutions for the long term management of radioactive waste was fixed at 25 billion euros under economic conditions at 31 December 2011. This new assessment represents a significant increase for the long term solution of radioactive waste and has an impact on the provisions of French nuclear operators (previous estimate used by the operators was 14.1 billion euros under 2003 economic conditions). In view of the late issue of the ministerial order ILL was unable to assess the impact of this order on the decommissioning provision.

ISBN 978-1-4741-3137-7



9 781474 131377

Science and Technology Facilities Council

Polaris House, North Star Avenue, Swindon SN2 1SZ, UK

T: +44(0)1793 442000 F: +44(0)1793 442002 E: publications@stfc.ac.uk

www.stfc.ac.uk