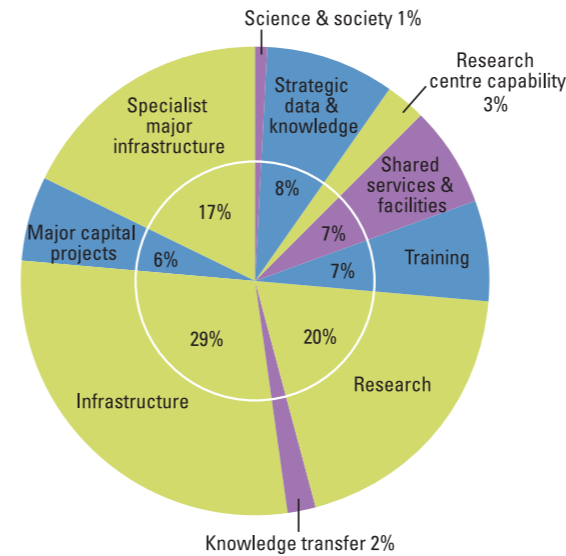


In this section we present an overview of our expenditure, funding, environmental impacts, grant application success rates, health and safety, and freedom of information requests. These are followed by a management commentary, a financial summary and an outline of organisational changes.

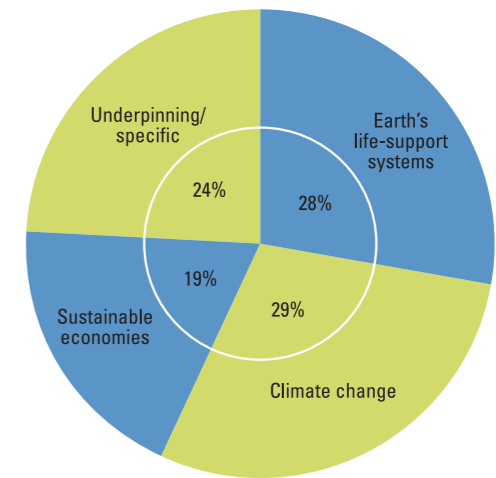
The Vital Statistics chapter may not be sufficient for a full understanding of NERC's financial position and performance. The full financial position is presented in NERC's Annual Accounts. www.nerc.ac.uk.



Allocation of science budget by funding category



Allocation of science budget by priority science areas



Background

The Natural Environment Research Council (NERC) was established by Royal Charter on 1 June 1965, under the Science and Technology Act 1965. NERC funds and carries out impartial scientific research in the sciences of the environment. We train the next generation of independent environmental scientists. Our mission is to gather and apply knowledge, create understanding and predict the behaviour of the natural environment and its resources, and communicate all aspects of our work.

The Council fulfils its mission through:

- pushing forward the frontiers of knowledge through cutting-edge responsive research and innovation;
- proposing sustainable solutions to environmental problems: pollution, climate change, loss of biodiversity;
- advising decision-makers how to predict, avoid or reduce the harmful effects of natural hazards: floods, droughts, earthquakes, volcanoes, landslides, tsunamis;

- collecting, managing and supplying environmental data and providing information to meet the needs of users;
- training, funding and supporting a world-class community of environmental scientists;
- transferring knowledge, products, information and skilled people to benefit UK business, policy and industry;
- improving wealth creation and the quality of life;
- engaging and informing the public, through debate and dialogue about environmental issues that matter to us all;
- directing our budget to achieve the highest quality, impact and relevance from our research;
- building and maintaining a first-class infrastructure for the UK's environmental scientists;
- ensuring openness, accountability and value for money.

NERC's strategic priorities are:

SCIENCE – to prioritise and deliver world-class environmental sciences to understand the Earth system;

USING KNOWLEDGE – to use NERC-funded science to identify and provide sustainable solutions to environmental problems;

SKILLED PEOPLE – to train and develop skilled individuals to meet national needs;

LEADERSHIP – to provide effective national and international leadership for the environmental sciences, including our role in promoting the interface between science and society;

and, to deliver these four priorities:

ORGANISATION – to ensure that NERC is a flexible, fit-for-purpose organisation, and to achieve excellence in service delivery and customer focus.

Review of activities

NERC published its strategic and scientific priorities for UK environmental sciences in *Science for a sustainable future 2002-2007* (www.nerc.ac.uk/publications/strategicplan/) in April 2002. NERC's new strategy *Next generation science for planet Earth*, launching in 2007, will replace this strategy. More information on our strategic priorities and science achievements is covered on pages 60-63 of the Annual Report 2006-07.

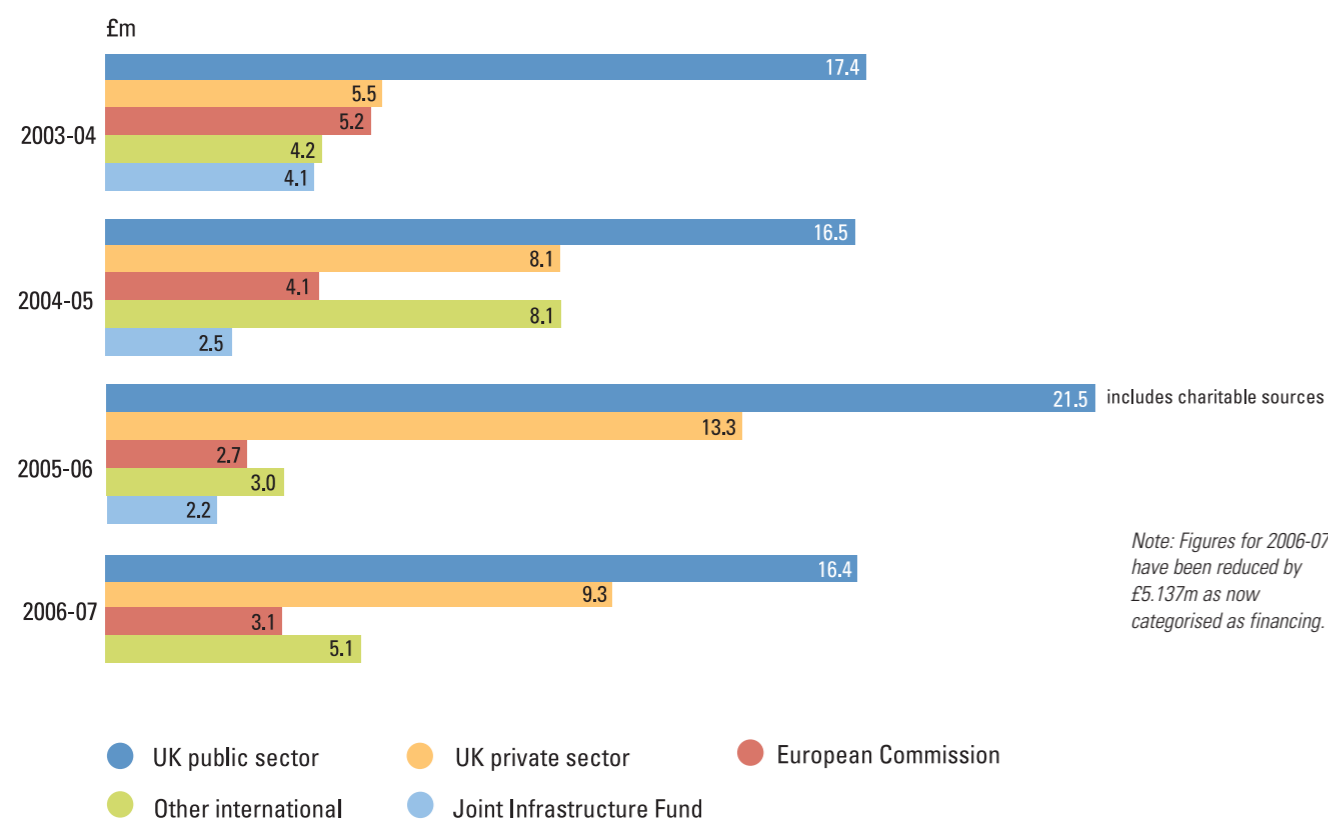
External funding

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

Statement of net expenditure 2006-07 (£m)

	Outturn
Programme expenditure	332.27
Notional charge against capital	7.69
Depreciation	20.61
Provisions	(1.47)
Impairments	0.29
Administration costs	21.70
Income	(47.12)
Net expenditure for the year	333.97

External funding for research (£m)



Environmental accounts

This is the fourth year that NERC has produced a set of accounts that cost the environmental impact of our operations. NERC provides world-class science whilst ensuring that we limit damage to the environment. The accounts cover areas of NERC over which we have direct operational and financial control, including our bases in the UK and abroad, and our research vessels and aircraft. These are not precise audited financial accounts, but an indicative management tool that encourages thought and action to measure NERC's environmental impacts, and take cost-effective steps to minimise them. This tool has been developed over the years and is now part of our capital purchasing procedures. It should be noted that we

updated the figures for years 2006-07 and comparators for 2005-06 to include the impact of the National Oceanographic Centre, Southampton for the first time.

The costs for energy use decreased due to the move to Green tariffs/renewable energy for all NERC owned sites for electricity. Gas costs increased marginally as a result of the prolonged winter. The cost of airplanes has marginally decreased due to a shorter Antarctic season reducing flying time. The cost of ships has increased marginally this year. A new ship, the RRS *James Cook* became operational this year. The ship will carry scientists to some of the Earth's most challenging environments and has been designed as a world-class multi-disciplinary science platform. Every effort

has been made to ensure that it is environmentally friendly, including the use of an engine management system. NERC is continuing to resource a 'Greening Fund' for local initiatives to reduce its environmental footprint and to mitigate some of the restoration costs. Further details can be found on page 42 'Going Green'.

Restoration/avoidance costs

	2005-06 £	2006-07 £
Impacts to air		
Arising from :		
Energy		
Electricity consumption	150,700	147,700
Gas consumption	40,400	41,800
Oil consumption	3,000	2,500
Petrol consumption	400	400
Diesel consumption	11,200	11,200
Total Energy	205,700	203,600
Transport		
Commuting	109,000	108,800
NERC ships	32,000	31,400
NERC planes	520,400	523,300
Total Transport	750,800	737,500
Total Impacts to air	956,500	941,100
Impacts to land		
Waste disposed to landfill	9,600	9,500
Total impacts to land	9,600	9,500
Impacts to water		
Water use and sewage	not quantified	not quantified
Total Environmental Costs	966,100	950,600
Staff costs	106,640,000	107,318,000
Other operating costs	72,684,000	92,712,000
Total operating costs	179,324,000	200,030,000
Total revised operating costs	180,290,100	200,980,600

The following table shows the total emissions to air from the impacts included in the accounts above, by category of emission (in tonnes).

	2005-06	2006-07
Carbon dioxide	46,100	46,400
Sulphur dioxide	100	100
Nitrous oxide, particulate matter, carbon monoxide, hydrocarbons	300	300
Methane	10	3

Responsive mode standard and small grant applications and success rates

	2003-04	2004-05	2005-06	2006-07
Number of applications*	860	596	864	825
Number of awards*	252	153	176	190
Total £k	30,582	22,349	27,024	39,699
% success rate	29	26	20	23

*Includes joint applications/awards.
Shaded figures are based on partial data.

Success rates for grants by gender

	2004-05		2005-06		2006-07	
	Men	Women	Men	Women	Men	Women
Number of applications	1,092	193	906	175	827	207
Number of successful applicants	179	20	212	39	207	39
% successful applicants	25	18	23	22	25	19

Shaded figures are based on partial data.

Success rates for fellowships by gender

	2005-06		2006-07	
	Men	Women	Men	Women
Number of applicants	93	50	102	51
Number of successful applicants	17	13	20	10
% success rate by gender	18	26	20	20

Requests made under the Freedom of Information Act

	2006
Outputs	10
Research policy and operations	3
Funding applications	2
Business policy and operations	2
Personal information	1
Contracts	3
Total	21

Openness and transparency

NERC is subject to the Freedom of Information Act 2000, and also the Environmental Information Regulations 2004 which provide broadly similar access rights to the Act but relate specifically to information about the environment. We work with the other research councils to ensure a consistent approach to open access legislation on key issues such as peer review. During 2006 we answered 21 requests for information under the legislation, covering a wide range of subjects from environmental data to personal information. We answered 95 percent of our requests, some of which were complex, within the statutory 20 working-day limit. Much of our information is available without a specific Freedom of Information Act request; for details see foi.nerc.ac.uk.

Colin Pelton, cdp@nerc.ac.uk

Equality matters and success rates

Staff

NERC embraces diversity and equality, and has introduced a wide range of measures to ensure that individuals can contribute their skills, knowledge and experience to the organisation whilst maintaining a work/life balance. We actively encourage parents to return to work by providing child care facilities and flexible working arrangements.

We continue to monitor all recruitment exercises to ensure demographic representation and all promotion rounds are scrutinised for fairness.

In addition, we promote personal development embracing initiatives such as sabbaticals; secondments; further education and a range of short courses. By investing in individuals, we continue to foster potential across the organisation and ensure that NERC has the necessary skills, knowledge and experience to meet future challenges.

Gill Sharpe, gesh@nerc.ac.uk

Grants, fellowships and studentships

We monitor the success rates of grant and fellowship applications to ensure that we do not discriminate against any applicants. Trend data have shown that the proportion of women applying for research grants has been relatively constant and success rates between men and women have been comparable over several years. We will continue to monitor the trend.

For the 2006-07 NERC fellowship round, female candidates made up 33% (51 of 153) of the applicants and were awarded 33% of the fellowships (10 of 30). The percentage of fellowships being offered to female candidates in previous years was; 43% (13 of 30) in 2005; 25% (8 of 32) in 2004 and 32% (11 of 34) in 2003.

For PhD and masters courses, the studentships are awarded to universities and NERC research centres. Students are selected by these institutions (within set eligibility criteria). Therefore NERC has no control over the selection of the individuals and does not have accurate data on success rates.

Racial equality monitoring table – 2006-07

Ethnic group	No. of staff in post	% of staff in post by ethnic group	No. of applicants for employment	% of total no. of applicants for employment	No. of applicants for promotion	% of total no. of applicants for promotion	No. of applicants for training	% of total no. of applicants for training
Asian/Asian British	17	0.6	213	7.3	1	0.8	37	1.1
Black/Black British	8	0.3	38	1.3	0	0	13	0.4
Chinese	17	0.6	21	0.7	0	0	26	0.7
Mixed	8	0.3	65	2.2	0	0	0	0
Other	15	0.6	248	8.4	0	0	82	2.3
Unknown	232	8.7	158	5.4	13	10.6	909	26.1
White	2,362	88.9	2,196	74.7	109	88.6	2,416	69.4
Totals	2,659		2,939		123		3,483	

Ethnic group	Average no. of applications for training per employee	No. of recipients of training	% of total no. of recipients of training	Average no. of training interventions per employee	No. of staff subject to disciplinary procedures	No. of staff who have raised a grievance	No. of staff who have left	% of total no. of staff who have left
Asian/Asian British	2.2	41	1.0	2.4	1	1	6	2.7
Black/Black British	1.6	15	0.4	1.9	0	0	1	0.5
Chinese	1.5	11	0.3	0.6	0	0	2	0.9
Mixed	0	0	0	0	0	0	0	0
Other	5.5	65	1.7	4.3	0	0	1	0.5
Unknown	3.9	785	20.0	3.4	0	0	18	8.3
White	1.0	3,014	76.7	1.3	27	15	190	87.1
Totals		3,931					218	

Of the 386 NERC-funded masters students starting in 2006, 48% are female, 49% male and 3% unknown. Of the 321 NERC-funded PhD students starting in 2006, 55% are female and 45% are male. This gives an overall split of 51% female, 47% male and 2% unknown. This is comparable to 2005 where 53% were female and 47% male and is consistent with other previous data where studentship awards were split fairly evenly between male and female candidates.

Fellowships and studentships: Avril Allman, aval@nerc.ac.uk

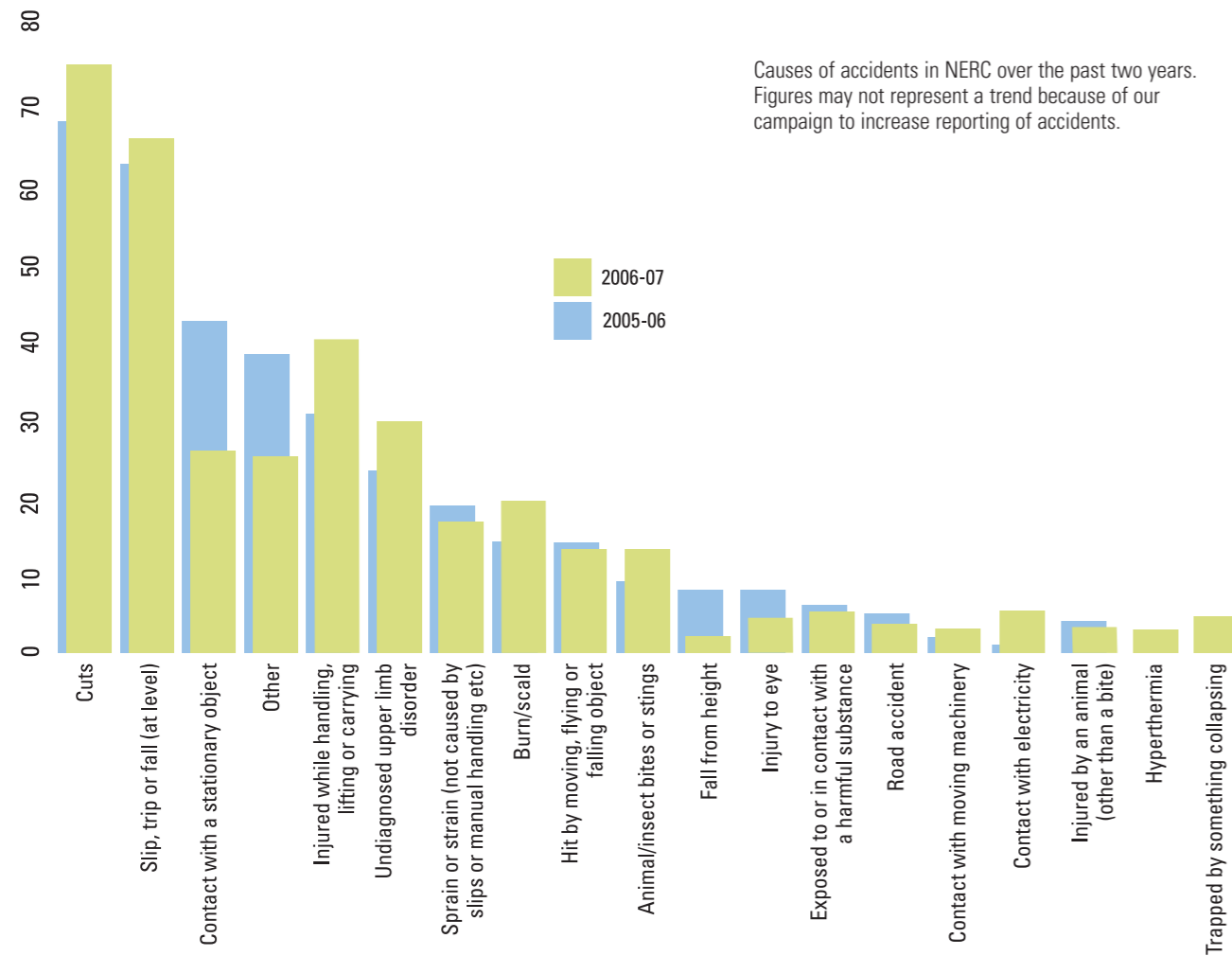
Research grants: Jim Aland, jeal@nerc.ac.uk

Racial equality

Under the Race Relations (Amendment) Act (RRAA), public bodies with more than 150 staff are required to report back their monitoring of specified employment trends. This is to help identify any signs of employment practices or procedures discriminating against people from ethnic minorities. NERC's figures required under the RRAA are set out above.

We do not collect information against one category, namely the number of staff who benefit or suffer as a result of our performance assessment procedures. This is because our appraisal system focuses much more on future development needs than past performance. The system allows people to assess their own performance and to discuss both performance and future development with their manager at a formal meeting at least once a year. Identifying measures of benefit or detriment that are directly attributable to the appraisal process is therefore not possible in NERC.

Accidents



Health and safety

Auditing of all areas of NERC has now started to comply with policies and procedures put in place over the last six years. This completes the planned implementation of HSG65 (“Successful Health & Safety Management”) as the chosen safety management system for the organisation. Auditing cannot begin until policies have been in place long enough to assess the success of their inauguration and practice. Audit schemes have been developed against the key procedures which were prioritised according to accident and incident patterns within NERC. The first cycle of audits have covered upper-limb disorder and its management, manual handling of loads (which leads to musculoskeletal injury, a major component of reported accidents in NERC), workshops and the management of chemical hazards (‘the Control of Substances Hazardous to Health’ COSHH regulations) where use of

chemicals in the research environment is very different to the industrial situation which drove HSE guidance.

Initial audits are encouraging and have confirmed health and safety is embedded into all management systems across NERC. Whilst some details of practice could be improved in all of the areas audited, fundamental consideration of safety issues by management is in place across the organisation and most practices fully comply with policy.

Stuart Dobson, sd@nerc.ac.uk

HOW WE SPENT THE SCIENCE BUDGET (£m)

	Summarised Allocation	Final OSI Outturn	Variance
Directed Programmes			
Aerosol Impacts	0.449	0.250	-0.199
Autosub under ice (AUTOSUB)	0.499	0.449	-0.050
Biological Diversity and Ecosystem Function in Soil	0.015	0.014	-0.001
Clouds, Water Vapour and Climate (CWVC)	0.065	0.052	-0.013
Core Strategic Measurements for Atmospheric Science (COSMAS)	0.099	0.045	-0.054
Coupled Ocean-Atmosphere Processes and their Effect on Climate (COAPEC)			
(joint programme with MST)	0.158	0.073	-0.085
Cross Council Contribution (Flooding)	0.553	0.509	-0.044
Depleted Uranium	0.000	0.119	0.119
eScience	3.020	2.794	-0.226
Environment and Health	0.374	0.073	-0.301
Environmental Diagnostics	0.000	0.249	0.249
Environmental Factors in the Chronology of Human Evolution and Dispersal (EFCHEd)	0.298	0.213	-0.085
Environmental Nanotechnology	0.011	-0.035	-0.046
Faraday Partnerships	0.088	0.047	-0.041
Flood Risk in Extreme Events	0.456	0.229	-0.227
Global Nitrogen Enrichment (GANE)	0.006	0.002	-0.004
Integrated Ocean Drilling Program	3.306	2.506	-0.800
International Polar Year - Science Programme	0.507	0.609	0.102
Joint NERC/EPsRC Environmental Maths & Statistics (EMS) programme	0.250	0.382	0.132
Low Carbon Innovation	0.241	0.256	0.015
Lowland Catchment Research	0.623	0.477	-0.146
Marine and Freshwater Microbial Biodiversity	0.015	0.000	-0.015
Marine Productivity: physical controls on ecosystem dynamics	0.015	-0.040	-0.055
Ocean Drilling Programme	0.015	0.042	0.027
Ocean Margins LINK Programme	0.553	0.478	-0.075
Polluted Troposphere	0.586	0.404	-0.182
Post Genomics	4.126	3.890	-0.236
Quantifying the Earth System	3.791	3.086	-0.705
Rapid climate change and the stability of the thermohaline circulation	3.911	3.197	-0.714
Rural Economy & Land Use	2.361	2.898	0.537
Science Programmes Planning Figure	-0.103	0.000	0.103
Study of composition and structure of the lower stratosphere and upper troposphere at middle latitudes (OZONE)	0.230	0.101	-0.129
Surface Ocean Lower Atmosphere Interactions	2.945	2.822	-0.123
Sustainable Energy	2.152	1.718	-0.434
UKPopNet	0.551	0.531	-0.020
Urban Regeneration and the Environment (URGENT)	0.026	0.005	-0.021

HOW WE SPENT THE SCIENCE BUDGET (£m) cont.

	Summarised Allocation	Final OSI Outturn	Variance		Summarised Allocation	Final OSI Outturn	Variance
Other Programmes							
Commercialisation	0.424	0.984	0.560	Large Facilities Diamond Synchrotron	0.040	0.000	-0.040
Deputy Director of Science & Innovation Small Initiatives Fund	0.115	0.035	-0.080	Marine Barter Bank	0.050	0.136	0.086
Eurocores - Biodiversity	0.116	0.058	-0.058	Services & Facilities	5.283	6.011	0.728
Eurocores - Mineral Sciences	0.150	0.149	-0.001	<i>FAAM Capital Refurbishment</i>	0.150	0.097	-0.053
Grants Admin	0.035	0.057	0.022	<i>Large Facilities ISIS</i>	0.050	0.000	-0.050
International Subscriptions	1.848	1.661	-0.187	<i>Purchase of Dornier</i>	1.400	1.504	0.104
Knowledge Transfer	3.681	3.239	-0.442	<i>Services & Facilities Capital</i>	0.800	0.192	-0.608
Minor Initiatives	0.035	0.099	0.064				
Short Courses	0.049	0.000	-0.049	Responsive Mode Grants			
NOCS (one-off adjustment re balances brought forward)	0.000	-2.895	-2.895	Standard Grants	29.178	25.505	-3.673
				Small Grants	1.880	1.790	-0.090
				New Investigator	0.721	1.091	0.370
Collaborative Centres				Antarctic Funding Initiative (AFI)	0.788	1.724	0.936
Centre for Population Biology (CPB)	1.171	1.078	-0.093	Consortium grants	5.948	5.262	-0.686
Continuous Plankton Recorder Survey of the North West European Shelf and the North East Atlantic (SAHFOS)	0.195	0.196	0.001	Capital Grants Round	1.857	1.110	-0.747
Marine Biological Association	1.211	1.194	-0.017				
National Centre for Atmospheric Science	9.129	8.788	-0.341	Responsive Mode Training			
Oceans 2025 Capital Grants	2.000	2.440	0.440	Studentships	21.209	21.594	0.385
Plymouth Marine Laboratory	4.552	4.565	0.013	Fellowships	4.437	4.828	0.391
Scottish Association for Marine Science	2.545	2.642	0.097				
Sea Mammal Research Unit	0.921	0.940	0.019	British Antarctic Survey			
Tyndall Centre for Climate Change Research	1.100	0.851	-0.249	Core Infrastructure	25.947	25.824	-0.123
				Artic Station	0.135	0.135	0.000
Earth Observation (EO) National Programme				RRS Ernest Shackleton	1.700	1.700	0.000
EO Centres of Excellence	4.092	3.337	-0.755	Antarctic Bases Environmental Clean Up (PR)	1.148	0.831	-0.317
EO Instrument Development	0.529	0.440	-0.089	BAS for non-BAS use of RRS <i>James Clark Ross</i>	0.668	0.668	0.000
EO Post Launch Support	0.441	0.662	0.221	Research Centre Science Programme	9.806	9.730	-0.076
EO Data Centre (NEODC)	0.050	0.191	0.141	<i>Core Capital</i>	2.863	2.848	-0.015
EO Administration	0.500	0.332	-0.168	<i>Capital Maintenance (Capital Investment Strategy)</i>	0.704	0.340	-0.364
EO Applications, Science & Mission Support	1.241	0.121	-1.120	<i>LF Halley 6 capital</i>	8.616	8.779	0.163
European Space Agency	36.930	37.761	0.831	<i>Rothera Redevelopment Phase 1 (RCIF 04/05)</i>	2.454	2.446	-0.008
Scientific Facilities & Technology				British Geological Survey			
Airborne Remote Sensing Facility	0.695	0.626	-0.069	Core Infrastructure	8.855	8.556	-0.299
Data Centre Support	0.386	0.291	-0.095	Research Centre Science Programme	16.707	16.665	-0.042
Data Centre Support	0.500	0.000	-0.500	<i>Core Capital</i>	2.021	2.169	0.148
FAAM NCAS Flying Costs	0.750	0.000	-0.750	<i>Capital Maintenance (Capital Investment Strategy)</i>	0.094	0.052	-0.042
FAAM Open Access Flying	0.987	1.700	0.713	<i>Keyworth Blocks A-F</i>	0.810	0.704	-0.106
High Performance Computing	1.398	1.713	0.315				

HOW WE SPENT THE SCIENCE BUDGET (£m) cont.

	Summarised Allocation	Final OSI Outturn	Variance		Summarised Allocation	Final OSI Outturn	Variance
Centre for Ecology & Hydrology				James Cook Research Vessel	0.010	0.000	-0.010
Research Centre Science Programme	12.192	12.094	-0.098	<i>James Cook Research Vessel</i>	<i>13.099</i>	<i>12.930</i>	<i>-0.169</i>
Core Infrastructure	11.068	11.683	0.615	<i>LF Replacement for the Discovery</i>	<i>0.100</i>	<i>0.000</i>	<i>-0.100</i>
CEH Lancaster Development	0.296	0.000	-0.296	<i>Capital Maintenance (Capital Investment Strategy)</i>	<i>0.738</i>	<i>0.000</i>	<i>-0.738</i>
Environmental Centre for Wales	1.527	1.245	-0.282	<i>Corporate Systems Development (CSD)</i>	<i>0.481</i>	<i>0.469</i>	<i>-0.012</i>
GECAFS International Subscription	0.085	0.146	0.061	<i>Core Capital</i>	<i>0.078</i>	<i>0.000</i>	<i>-0.078</i>
<i>Core Capital</i>	<i>1.238</i>	<i>1.346</i>	<i>0.108</i>	<i>Greening</i>	<i>0.250</i>	<i>0.100</i>	<i>-0.150</i>
<i>Capital Maintenance (Capital Investment Strategy)</i>	<i>0.802</i>	<i>0.684</i>	<i>-0.118</i>	Restructuring	1.746	2.141	0.395
<i>Environmental Centre for Wales</i>	<i>0.549</i>	<i>0.711</i>	<i>0.162</i>	Public Funding Initiative Scored Outside DEL	-0.933	-0.933	0.000
CEH Transition and Integration	2.000	1.805	-0.195	Unrealised Risks	1.361	0.000	-1.361
CEH Transition and Integration	0.500	0.383	-0.117	Balance Sheet Provisions	-3.124	-0.089	3.035
National Oceanography Centre, Southampton				Cost of Capital	8.719	7.686	-1.033
National Oceanography Centre, Southampton	6.292	7.010	0.718	Depreciation	20.600	20.358	-0.242
National Marine Facilities Division	11.900	11.500	-0.400	Asset Disposals	-2.467	-2.629	-0.162
<i>National Oceanography Centre, Southampton</i>	<i>0.243</i>	<i>0.010</i>	<i>-0.233</i>	<i>Asset Disposals</i>	<i>-0.553</i>	<i>-0.301</i>	<i>0.252</i>
<i>National Marine Facilities Division</i>	<i>1.007</i>	<i>0.726</i>	<i>-0.281</i>	Overcommitment against Science Budget	-5.575	0.000	5.575
Proudman Oceanographic Laboratory (POL)				<i>Overcommitment against Science Budget</i>	<i>-0.136</i>	<i>0.000</i>	<i>0.136</i>
POL Science	1.576	1.593	0.017	TOTAL NERC EXPENDITURE	375.374	365.303	-10.071
POL PSMSL	0.088	0.088	0.000	Comprises:			
Core Infrastructure	1.754	1.879	0.125	Resource *	336.233	328.832	-7.401
British Oceanographic Data Centre	1.111	1.098	-0.013	Capital	39.141	36.471	-2.670
<i>Core Infrastructure</i>	<i>0.713</i>	<i>0.274</i>	<i>-0.439</i>				
<i>Capital Maintenance (Capital Investment Strategy)</i>	<i>0.070</i>	<i>0.008</i>	<i>-0.062</i>	<i>Capital Expenditure in italics</i>			
Other infrastructure							
Swindon Office	14.162	13.546	-0.616				
Vacated Sites	0.285	0.418	0.133				
Merchant Navy Pension Fund Deficit (PR)	1.709	0.720	-0.989				
Evolutech	-0.100	0.000	0.100				
Senior Staff Development & Recruitment	0.180	0.088	-0.092				
Contingent Liabilities (PR)	0.197	0.000	-0.197				
Electronic Records Management System	0.398	0.398	0.000				
Resource Management System (RMS)	0.170	0.127	-0.043				
Corporate Systems Development (CSD)	1.950	1.424	-0.526				
GRID Highband Width Connection	0.918	0.947	0.029				
VAT Refund	-0.777	-0.960	-0.183				
Shared Service Centre Implementation Costs	0.589	0.589	0.000				

* This differs from the Statement of Net Expenditure by £5.137m which is recorded in Table 14 in the Annual Accounts as funding received from other bodies.

SCIENCE BUDGET EXPENDITURE IN RESEARCH ORGANISATIONS

Expenditure Ek	REPOSITIVE AWARDS					JIF grants	Knowledge transfer	Directed grants	Directed PhD students	Directed fellowships	Research contracts/ progs	Collaborative Centres	TOTAL
	Grants	PhD students	Masters	Masters Training Grant	Fellowships								
Birkbeck College	77							34				111	
Brunel University	96	23						8				127	
Cardiff University	271	504			57		294	28		31		1,185	
Cranfield University	29			44			54	94		20		241	
Durham University	506	233			65	128	153		6	2		1,093	
Glasgow Caledonian University							76					76	
Heriot-Watt University		22	28	55			30					135	
Imperial College London	1,200	866	96	274	258	5	477		10	271	1,054	4,511	
Keele University	13	71					23	20		10		137	
King's College London	107	99	19	107			18	16				366	
Kingston University	16							3		202		221	
Lancaster University	247	372	31	74		152	79			29		984	
Liverpool John Moores University	153						12					165	
London School of Economics & Political Science							73	8				81	
Loughborough University	84	15						3				102	
Manchester Metropolitan University	1									8		9	
Newcastle University	325	481	91	205	133	74	16	311	29			1,665	
Open University	357	233			27	8	50			179		854	
Oxford Brookes University	-6	21		26				72				113	
Queen Mary, University of London	433	208			100	20	20	9				790	
Queen's University of Belfast	158							16		1		175	
Roehampton University	38							30				68	
Royal Holloway, University of London	220	253	54	168	47		99			79		920	
University College London	1,277	751	19	146	65		600	60		902		3,820	
University of Aberdeen	461	438	67	84	178	-9	83	338	23	24		1,687	
University of Bath	179	32						59	11			281	
University of Birmingham	959	397	73	163	56	139	320	142		3		2,252	
University of Bradford	2	43	27	52	11							135	
University of Bristol	1,762	989	17		207		751	8		894		4,628	
University of Cambridge	1,940	1,343		30	203	176	81	1,027	2	5	694	5,501	
University of Dundee	73	25	10							300		408	
University of East Anglia	1,742	826	30	128	158	474	31	1,022		18	187	7,093	
University of Edinburgh	2,094	1,146	64	135	463	-27	186	400	13		845	5,319	
University of Essex	459	139			90		8	99				795	
University of Exeter	599	370	24	49	50			164	38	10	1	1,305	
University of Glamorgan								58				58	
University of Glasgow	349	151			183		40	68	43			834	
University of Greenwich		15										15	
University of Hertfordshire	61	58										119	
University of Hull	146	143			50					1,382		1,721	
University of Kent	40	36						3				79	
University of Leeds	2,526	894	110	279	210	25	88	567		1,355	6,459	12,513	
University of Leicester	316	276		34	58		85	29		411		1,209	
University Of Lincoln	17											17	
University of Liverpool	1,279	631			110		73	335		334		2,762	
University of Nottingham	157	120	16	26	49			69		93		530	
University of Manchester	2,091	618		28	200	-129	-5	650		259		3,712	
University of Oxford	1,494	1,135		43	238		136	421		563		4,030	
University of Plymouth	388	166	21	27								602	

Expenditure Ek	REPOSITIVE AWARDS					JIF grants	Knowledge transfer	Directed grants	Directed PhD students	Directed fellowships	Research contracts/ progs	Collaborative Centres	TOTAL
	Grants	PhD students	Masters	Masters Training Grant	Fellowships								
University of Portsmouth	12	19										31	
University of Reading	1,024	847	71	253	223		57	985			2,339	5,799	
University of Salford	4	21					2				139	166	
University of Sheffield	1,448	515		26	157		8	724			659	3,537	
University of Southampton	1,224	805	23		141	-206	85	1,740			1,051	4,863	
University of St Andrews	674	388	11	35	19		71	137		12	4	939	2,290
University of Stirling		221		36			102	236				595	
University of Strathclyde		81			60			-40				101	
University of Surrey	21	4						75				100	
University of Sussex	66	59										125	
University of Ulster	20											20	
University of Wales Swansea	348	253			106		82	77			297	1,163	
University of Wales, Aberystwyth	199	188			52			13			1	453	
University of Wales, Bangor	514	303	38	82	54		135					1,126	
University of Warwick	476	155			42			190				863	
University of Worcester							6					6	
University of York	793	294	63	109				143			775	2,177	
Zoological Society of London	62	151			35							248	
Agri-Food & Bio-Sciences Institute											3	3	
BBSRC John Innes Centre	71							112				183	
Central Laboratory of the Research Councils											4,309	4,309	
Centre for Environment, Fisheries and Aquaculture Science (CEFAS)								23	17			40	
College of Exploration											6	6	
Diamond Light Source Ltd	1											1	
Fisheries Research Services Marine Laboratory								32	38			70	
Macaulay Land Use Research Institute								3	28			31	
Marine Biological Association	176						51				909	1,136	
Medical Research Council (MRC)								-4				-4	
National Institute of Agricultural Botany	75										26	101	
Natural History Museum	-231						14	67	22			-128	
Plymouth Marine Laboratory	419	170					2	773	104		595	1,035	3,098
Policy Studies Institute								2,684				2,684	
Rothamsted Research								102	7		8	117	
Royal Botanic Gardens - Edinburgh					42							42	
Royal Botanic Gardens Kew	69							61	9			139	
Scottish Agricultural College		18						7	15			40	
Scottish Association For Marine Science	91	131						57	71		109	1,316	1,775
Scottish Universities Environmental Research and Reactor Centre	147	45						55	42		1,493	1,782	
Sir Alister Hardy Foundation for Ocean Sciences	9						5		42			56	
Rutherford Appleton Laboratory	156						7	421	4			588	
The Institute for European Environment Policy								53	65			118	
TOTAL	32,604	18,811	1,003	2,718	4,197	386	1,966	17,343	2,630	72	19,485	14,189	115,404

MANAGEMENT COMMENTARY

Statutory basis

These accounts have been prepared in accordance with the Financial Reporting Manual and the Accounts Direction, issued by the Secretary of State for Trade and Industry pursuant to Section 2(2) of the Science and Technology Act 1965, which is available from NERC Corporate Finance, Polaris House, North Star Avenue, Swindon SN2 1EU. The 2006-07 accounts have been prepared on an accruals basis, whereby income and expenditure is credited or charged to the Statement of Net Expenditure when the goods or services have been provided. The balance sheet shows the assets and liabilities at the year-end.

Financial summary

In addition to the Science Budget of £340,630,000 in 2006-07, NERC won external support from government departments, other UK and overseas public sector bodies, the European Union and industry. In 2006-07 this totalled £47,119,000 a reduction of 2% on other income from last year.

The accounts report a prior year adjustment to reflect the change in reporting for grant-in-aid and certain other income which is now taken to the Income and Expenditure Reserve directly and the restating of comparators for 2005-06.

The Statement of Net Expenditure records a total income of £47,119,000 and a total expenditure of £373,333,000 resulting in net operating expenditure in the year of £326,214,000. The total net book value of the fixed assets is £297,431,000. The Government Funds at 31 March 2007 amounted to £247,128,000.

Following the necessary accounting policies, the accounts show net expenditure for the year. Whilst accurate this is calculated on a different basis from the figures used by NERC and the Office of Science and Innovation/Department of Trade and Industry to monitor its performance. On this basis, NERC showed a surplus for the year that will be

carried forward into the 2007-08 financial year.

Reconciliations can be found in Table 1. A significant proportion of capital expenditure related to the building of the new research vessel, the RRS *James Cook* (c£13m) which was launched this year, Halley VI costs of £8m, Rothera Base of £2.3m and the purchase of an aircraft for £1.5m. NERC made a resource surplus of £7.2m however, excluding the integration of NOCS in resource this year, would have resulted in a surplus of 1% of total budget. The surplus was due to a number of factors such as the integration this year of NOCS and balance transfers from Southampton University part way through the financial year.

Developments during the year

Oceans 2025

NERC has agreed funding for a new multi-million pound marine strategic research programme called Oceans 2025, which started in April 2007. See page 39.

International Polar Year (IPY)

NERC is the UK's largest supporter of polar science, particularly through the funding of our research centre, the British Antarctic Survey (BAS). We have provided £1 million to run the International Programme Offices for IPY, based at BAS in Cambridge.

In total, we are funding polar research at over 30 UK universities and research centres. Scientists employed or grant-funded by NERC are involved in almost all of the UK's IPY-endorsed science projects, which together account for over half of the world total of 170.

The Leadership for NERC programme

We have developed the *Leadership for NERC* programme to address capacity in the areas of strategic capability; leadership; change orientation and personal/professional impact. Some 60 senior managers from across the organisation are taking part in the programme. The initiative is helping to

develop a learning culture and fostering collaboration between the various research centres across the organisation.

NERC Centres for Atmospheric Science

In September 2006, the NERC Centres for Atmospheric Science was officially renamed the National Centre for Atmospheric Science (NCAS). The name change reflects the increasing degree to which NCAS now acts as a single organisation, with one coordinated science plan and one management structure in place, despite being distributed geographically across many different sites. This enables a rapid response to new external (and internal) opportunities, and promotes cross-cutting initiatives involving multidisciplinary science. It also reflects the national role that NCAS plays in coordinating climate, weather and atmospheric composition research across the UK academic communities.

Long-term maintenance plan

NERC has completed the first year of its long-term maintenance plan. These works totalled £1.4million and included prioritised projects across all centres, including the National Oceanography Centre, Southampton.

Second-year funding has been approved totalling £1.8million across all centres. It is expected that in the future, the plan will be linked to NERC's Capital Investment Strategy.

Halley VI

Preparation for construction of Halley VI, the Antarctic base which will replace Halley V, began during the 2006-07 Antarctic season with buildings and science commissioning scheduled for the 2009-10 season. Combining the construction of Halley VI with decommissioning Halley V as a joint project will save money, so the cost of decommissioning will fall by £5.8m, this was reflected in last years accounts. Total costs of the joint projects Halley V and Halley VI are expected to be £38m.

Table 1

Reconciliation between annual accounts 2006-07 and OSI final outturn

	Resource £000	Capital £000
Net expenditure for the year (i)	333,969	
Funding from other bodies	(5,137)	
Treatment of capital grants	(13,219)	13,219
Capital (ii)		36,772
Net book value on the disposal of fixed assets (ii)		(301)
OSI Outturn (resource and capital)	315,613	49,690
OSI Science budget	322,863	52,510
Surplus reported to OSI (iii)/(iv)	7,250	2,820

Notes:

(i) taken from the Statement of Net Expenditure for the year ended 31 March 2007

(ii) taken from Note 9a – Tangible Fixed Assets

(iii) resource surplus comprises £8,275k near-cash surplus and £1,025k non-cash deficit.

(iv) capital surplus comprises £2,670k capital surplus and £150k capital grant surplus. Capital grant funding is for the purchase of equipment by third parties including Universities and are not included as NERC assets.

Launch of the RRS *James Cook*

The Princess Royal formally named the RRS *James Cook* at a ceremony at the National Oceanography Centre, Southampton, on 5 February 2007. The £39 million research ship is the latest addition to NERC's fleet and replaces the ageing RRS *Charles Darwin*.

National Oceanography Centre, Southampton (NOCS)

In 2006 NERC signed a new agreement, a Memorandum of Understanding (MOU), with the University of Southampton for funding and managing the National Oceanography Centre, Southampton. The MOU sets out the organisational framework within which NOCS will operate in the future. This is complemented by several annexes that set out in detail how specific issues will be addressed – delegated authorities for

finance, people management, intellectual property, insurances, the running of the estate, provision of library services, and so forth. The goal is to support NOCS in achieving the international standing that is worthy of a centre of excellence. The impact of negotiating balances from the University of Southampton resulted in a transfer to NERC of assets with a market value of £3.7m and an amount of £2.5m to be refunded to NERC from previous years funding for contracts and grant awards.

Centre for Ecology & Hydrology (CEH)

In 2006, NERC Council decided that a major re-structuring of CEH was essential to maintain its position as a world-leading centre that is sustainable both from a scientific and financial viewpoint. The CEH Transition and Integration project

has been set up to support the restructuring process, using PRINCE 2 methodology. The project has completed the first year of a four year programme which will have a total cost of £43.7m. In the accounts this year provisions of £17.8m have been reported for areas such as redundancy, decommissioning and removal costs for staff and equipment (see Note 12 of the Annual Accounts).

Council members

A list of NERC Council members in 2006-07 is given in the Remuneration report (page 67). The Council consists of the Chairman, the Chief Executive (and Deputy Chairman) and 18 other members. Council members are appointed by the Secretary of State for Trade and Industry and are drawn from both academic and industrial communities. Two of the members are

also appointed from government departments. In addition to the listed members, a representative of the Secretary of State for Trade and Industry, Mr Paul Williams, attends Council meetings.

The Council is NERC's top-level decision making body. Council decides on all issues of major importance, including corporate strategy, key strategic objectives and targets and major resource decisions. It is accountable for its stewardship of NERC's budget and the extent to which key performance objectives and targets have been met.

The Council Secretariat holds a Register of Interests, which can be viewed on the NERC website at: www.nerc.ac.uk/about/work/boards/council/interests.asp

Forward look

Issues or projects that will affect us or that we will deliver from 2007 include the following:

- **NERC Strategy:** NERC is preparing its new strategy, due to be published in autumn 2007 (see page 41). We will translate the strategy into action at a management level and will establish the framework for setting strategic objectives and managing performance. This framework will be a vital tool for informing decision-making at Council level.

We will also change our strategy delivery process to improve the way we target resources. This will give us flexibility to adapt to changing priorities. We are redefining our funding streams into *national capability, research programmes and responsive research*.

NERC aims to start implementing these new processes from mid-2007 onwards.

In support of the strategy, work is well advanced in developing new internal

and external communications strategies and a people strategy. The external communications strategy will incorporate a revision of our existing policy on science and society. The people strategy will announce significant initiatives to ensure that NERC is helping to develop a community that is flexible, responsive and able to adapt to changing priorities. NERC will continue to devote substantial resources to improving the wider skills of its staff. Our employment policies and practices will recognise the value of expert researchers, of people who can apply their research to stakeholder needs, and of people who are capable of building capacity and of leading and managing effectively. We will establish clear and realistic career expectations in our staff and provide the opportunities to enable these expectations to be realised.

- **Rapid climate change directed programme:** NERC will evaluate, redesign and redeploy the trans-Atlantic observing system, in collaboration with international funders, as part of the RAPID programme by the end of April 2008.
- **Living with environmental change (LWEC) partnership:** with the Economic and Social Research Council, NERC will jointly fund 20 new interdisciplinary studentships per year during 2007-08 to 2009-10. At least half of these will be relevant to this programme.
- **Rural economy and land use (RELU) directed programme:** NERC will continue to work with other councils to deliver the objectives of the Rural Economy and Land Use Programme.
- **Centre for Earth Observation Instrumentation:** in partnership with the Department of Trade and Industry, the centre was established in April 2007.

- **eScience:** NERC will develop and begin executing a plan to implement its eScience strategy by the end of June 2007.
- **Ecosystem services and poverty alleviation (ESPA) programme:** NERC will work with the Department for International Development on this programme. Specifically, NERC will contribute the cost of programme management and announce awards for regional assessment exercises by summer 2007.
- **Economic impacts:** by the end of September 2007 the research councils will publish a report on our implementation of recommendations 1-4 of the Worry Report on 'Increasing the Economic Impact of Research Councils'.
- **Shared Service Centre:** by the end of March 2008, the piloting of the new Shared Service Centre processes will have commenced.

2007 Spring Supplementary Estimates and Budget announcement

The Spring Supplementary Estimates published by HM Treasury on 20 February 2007 showed significant revisions to Department for Trade and Industry budgets, including £9.7 million from NERC's budget. Rather than take immediate action NERC will, over the next three years, make small savings across our research centres, directed programmes and grants. This will be done in a balanced way to reduce the impact in any one area of our activities.

Communications

NERC is committed to engaging with staff and with its main stakeholders as effectively as possible. The Chief Executive has started a series of regular meetings with all staff in Swindon Office to cascade information and listen to views on key issues. The NERC

Executive Board (NEB) team briefings which were started last year are continuing throughout NERC.

We made major improvements to the NERC website in 2006 with a redesign and a complete overhaul of the content. Our commitment to plain language in all our electronic and paper publications continues.

NERC is shifting the emphasis of its work in science in society to more shared working with other councils through the RCUK Science in Society Unit. Many of our existing schemes such as Researchers in Residence, CREST and creating schools materials, are done through the unit, and new projects, such as continuous professional development for science teachers, are working well. Late in 2006, Alan Thorpe became the RCUK champion for science in society, supporting and encouraging efforts to implement the science in society strategy agreed in March 2006.

NERC is also increasing its engagement with major stakeholders with a particular aim of enhancing our emphasis on knowledge transfer. We held a successful meeting in January 2007, which focused on progress on the new NERC strategy and on strengthening our work in making our science useful to users.

Equal opportunities

It is NERC policy that everyone has an equal opportunity for employment and advancement within the council on the basis of their abilities, qualifications and fitness for work. We do not tolerate discrimination against anyone on grounds of sex, age, race, religion, religious beliefs or sexual orientation; this applies in recruitment, training, promotion and to all aspects of employment within NERC. Nor do we unlawfully discriminate on the basis of disability, but prefer to offer each candidate or member of staff the opportunity to demonstrate their ability to carry out the work required. NERC is committed to the Two Ticks scheme as approved by the Employment Service.

Payment policy

NERC observes the Confederation of British Industry Code of Practice regarding prompt payment, making payments when due in accordance with the contract or within 30 days of receipt of goods or services or the presentation of a valid demand for payment. During 2006-07 83% of payments were made within 30 days of the invoice date (2005-06: 86%). In accordance with the guidance given in Statutory Instrument 1997/571 the figure for creditor days is 21 (2005-06: 23 days).

Risk

NERC has adopted a risk management strategy that conforms with the principles of the HM Treasury guidance.

A description of NERC's capacity to handle risk and its control framework can be found in the Statement of Internal Control (SIC).

Going concern

The Accumulated Income and Expenditure Reserve carried forward at the 31 March 2007 shows a surplus of £170,600,000.

Grant-in-aid for 2007-08, taking into account the amounts required to meet the NERC's liabilities falling due in that year, has already been included in the department's estimates for that year, which have been approved by Parliament, and there is no reason to believe that the department's future sponsorship and future parliamentary approval will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these financial statements.

Internal Audit and Audit Committee

The Research Councils' Internal Audit Service undertakes an agreed programme of internal audits for NERC. Council's Audit Committee has three Council members, and is attended by the Chief Executive. The Committee meets four times a year to review internal and

external audit and establishment matters, and the Council's accounts. The membership of the committee can be found at the NERC website www.nerc.ac.uk/about/work/boards/audit/members.asp

Auditors

NERC's accounts are audited by the Comptroller and Auditor General in accordance with paragraph 3(3) of Schedule 1 to the Science and Technology Act 1965. The charge for the year is £58,000. All of this cost related to audit services. There was no auditor remuneration for non audit work.

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

Events since the end of the financial year

There have been no events between the Balance Sheet date and 17 July 2007, the date when the accounting officer despatched the accounts to the Office of Science and Innovation. The financial statements do not reflect events after this date.

Professor Alan Thorpe

Chief Executive & Accounting Officer

Date: 29 June 2007