

Delivering the strategy – vital statistics

Leadership, effectiveness, efficiency



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This is an overview of NERC's 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 Natural Environment Research Council (NERC) was established by Royal Charter on 1 June 1965 under the Science and Technology Act 1965. NERC's 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 its work.

In 2007, NERC launched its new strategy

Next Generation Science for Planet Earth, 2007-12. To order a copy of the strategy see: www.nerc.ac.uk/publications/.

This 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.

Statement of net expenditure 2007-08 (£m)

	Outturn
Programme expenditure	362.3
Notional charge against capital	8.9
Depreciation	23.5
Provisions	-8.2
Impairments	5.4
Administration costs	21.9
Income	-48.3
Net expenditure for the year	365.5

Trends in annual capital investment (£m)

	2004-05	2005-06	2006-07	2007-08
Major projects (>£400k)	14.9	21.4	27.1	25.5
Research Centre Infrastructure Fund	8.1	0.8	0.0	0.4
Minor projects and equipment (<£400k)	4.9	9.9	9.7	11.1
Profit on disposal of fixed assets (i)	0.0	-0.2	-0.3	-1.9
Capital grants to HEIs (ii) (excluding JIF)	0.0	0.0	13.2	11.6
Total	27.9	31.9	49.7	46.7

(i) from 2007-08 all disposals of fixed assets classified as capital
(ii) from 2006-07 capital grants classified as capital

HEI: Higher Education Institutions
JIF: Joint Infrastructure Fund

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.

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 business activities such as peer review.

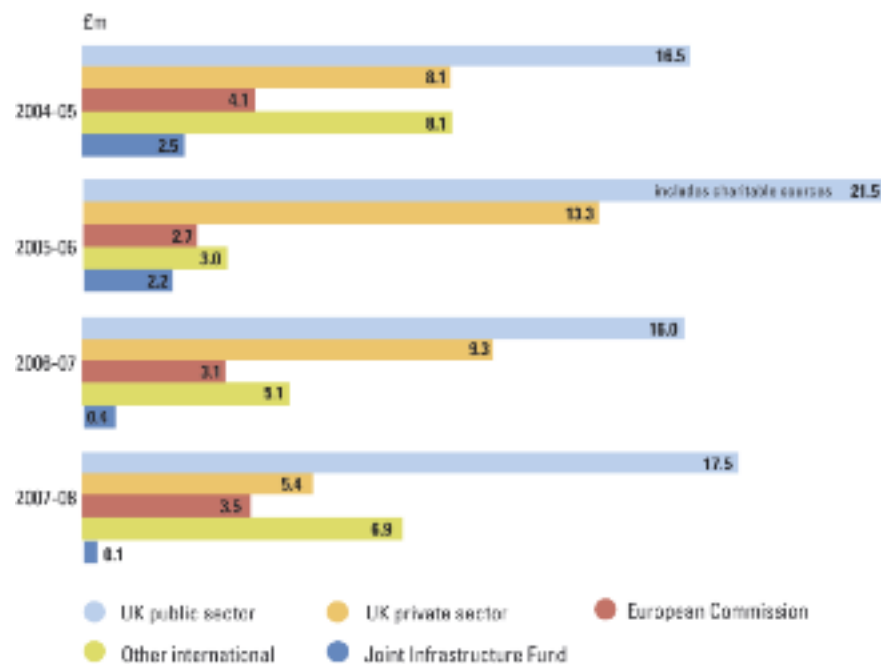
During 2007 we answered 26 requests for information under the legislation, covering a wide range of subjects from research outputs to personal information. We answered 88 per cent of our requests, some of which were very complex, either within the statutory time limit or within an agreed deadline extension.

Much of our information is available without a specific Freedom of Information Act request; for details see foi.nerc.ac.uk.

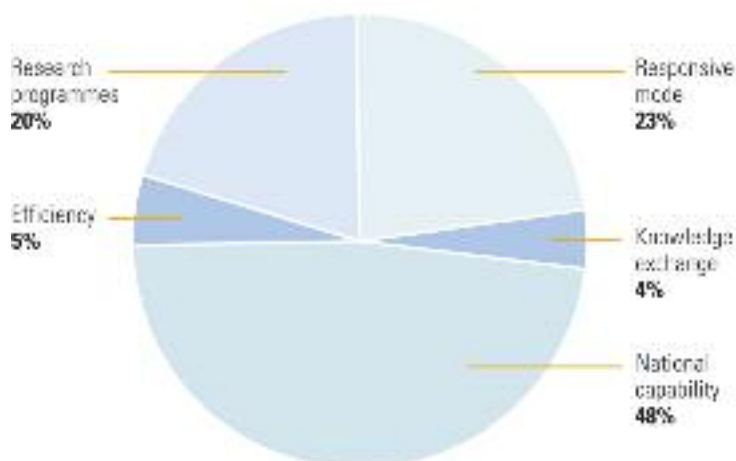
Requests made under the Freedom of Information Act

	2007
Research outputs	8
Research policy and operations	5
Funding applications	3
Business policy and operations	5
Personal information	2
Contracts	3
Total	26

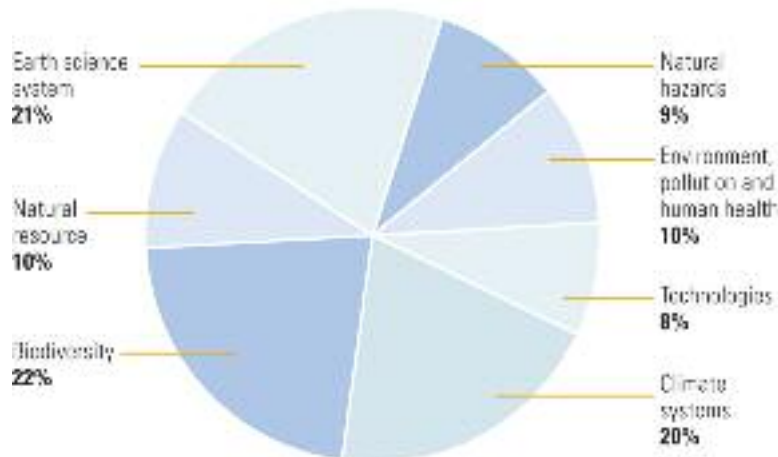
External funding for research (£m)



Allocation of science budget by funding streams 2007-08



Allocation of science budget by themes 2007-08



Environmental accounts and greening of NERC

This is the fifth year that NERC has produced a set of accounts that cost the environmental impact of our operations. NERC provides a 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.

The costs of energy marginally increased this year, gas in particular increased due to the prolonged winter. A new energy management system will be shortly implemented across NERC to better control our energy useage. The cost of airplanes has increased marginally in response to an increasing demand for atmospheric research overseas. The cost of ships, being the highest environmental cost to NERC, has decreased due to a reduction in Antarctic passage distances and repairs/maintenance activity. Finally, waste costs have reduced due to a number of initiatives on recycling and a resulting drop in the use of landfill.

NERC is continuing to resource a 'Greening Fund' for local initiatives to reduce its environmental footprint and to mitigate some of its restoration costs. Initiatives this year include a wind turbine at the British Geological Survey, a waste management area and cycle stores at the National Oceanography Centre, Southampton, solar panels and a heat recovery system at the British Antarctic Survey and the new Environment Centre for Wales has been opened with a BREEAM rating of 'excellent'. The British Geological Survey and the British Antarctic Survey have previously achieved ISO14001 environmental management accreditation, whilst the National Oceanography Centre, Southampton and NERC Swindon Office are now preparing to undertake the accreditation audits.

Restoration/avoidance costs

	2006-07 £	2007-08 £
Impacts to air		
Arising from :		
Energy		
Electricity consumption	147,700	153,000
Gas consumption	41,800	44,100
Oil consumption	2,500	2,600
Petrol consumption	400	200
Diesel consumption	11,200	11,700
Total energy	203,600	211,600
Transport		
Business mileage	108,800	114,300
Commuting	31,400	30,500
NERC ships	523,300	488,100
NERC planes	74,000	87,700
Total transport	737,500	720,600
Total impacts to air	941,100	932,200
Impacts to land		
Waste disposed to landfill	9,500	5,400
Total impacts to land	9,500	5,400
Impacts to water		
Water use and sewage	not quantified	not quantified
Total environmental costs	950,600	937,600
Staff costs	107,318,000	108,153,000
Other operating costs	92,712,000	94,127,000
Total operating costs	200,030,000	202,280,000
Total revised operating costs	200,980,600	203,217,600

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

	2006-07	2007-08
Carbon dioxide	46,400	38,700
Sulphur dioxide	100	100
Nitrous oxide, particulate matter, carbon monoxide, hydrocarbons	300	300
Methane	3	2

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 while maintaining a work/life balance. We actively encourage parents to return to work by providing childcare facilities and flexible working arrangements. We continue to monitor all recruitment exercises to ensure demographically fair 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.

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, but that the number of women within the system remains low.

For the 2007 fellowship round 36% (52 of 144) of applicants were female. Five out of 25 fellowships (20%) were awarded to female candidates. Although the percentage varies each year, this is disappointingly lower than in any of the previous four years. The percentage of fellowships being offered to female candidates in previous years was: 33% in

2006; 43% in 2005; 25% in 2004 and 32% in 2003.

For PhD and masters courses, studentships are awarded to universities and NERC research centres. Institutions select students within set eligibility criteria. NERC has no control over selection and does not have accurate data on success rates.

Of the 371 NERC-funded masters students starting in 2007, 50% are female – the same as 2006 (194 of 386). Of the 332 NERC-funded PhD students starting in 2007, 48% are female and 52% male. In 2006, 55% were female and 45% were male and in 2005, 53% were female and 47% male. So the 2007 data is still showing that studentship awards are split fairly evenly between male and female candidates.

Responsive mode standard and small grant applications and success rates

	2004-05	2005-06	2006-07	2007-08
Number of applications	596	864	825	848
Number of awards	153	176	190	184
Total £k	22,349	27,024	39,699	41,837
% success rate	26	20	23	22

NB: Statistics show joint applications from two or more research organisations as one application.

Success rates for grants by gender

	2005-06		2006-07		2007-08	
	Men	Women	Men	Women	Men	Women
Number of applications	906	175	827	207	884	196
Number of successful applicants	212	39	207	39	243	36
% successful applicants	23	22	25	19	27	18

Success rates for fellowships by gender

	2006-07		2007-08	
	Men	Women	Men	Women
Number of applicants	102	51	92	52
Number of successful applicants	20	10	20	5
% success rate by gender	20	20	22	10

Health and safety

NERC has sought to benchmark its safety management systems and performance against other organisations this year. Our responses to the Health and Safety Executive (HSE) benchmarking website CHaSPI (Corporate Health and Safety Performance Index) questionnaire gives us a good ranking on the list of 75 organisations participating. We have examined the specific areas of safety management where we did not rank top and are considering possible actions and priorities.

NERC has commissioned an external audit to confirm that all safety management systems are now in place and functioning as intended. We are reassured that we now have a fully functional safety management system in line with HSE's guidelines (Successful Health & Safety Management).

We have audited our priority areas for selected parts of all research and collaborative centres. These areas relate to musculoskeletal injury (upper limb disorder

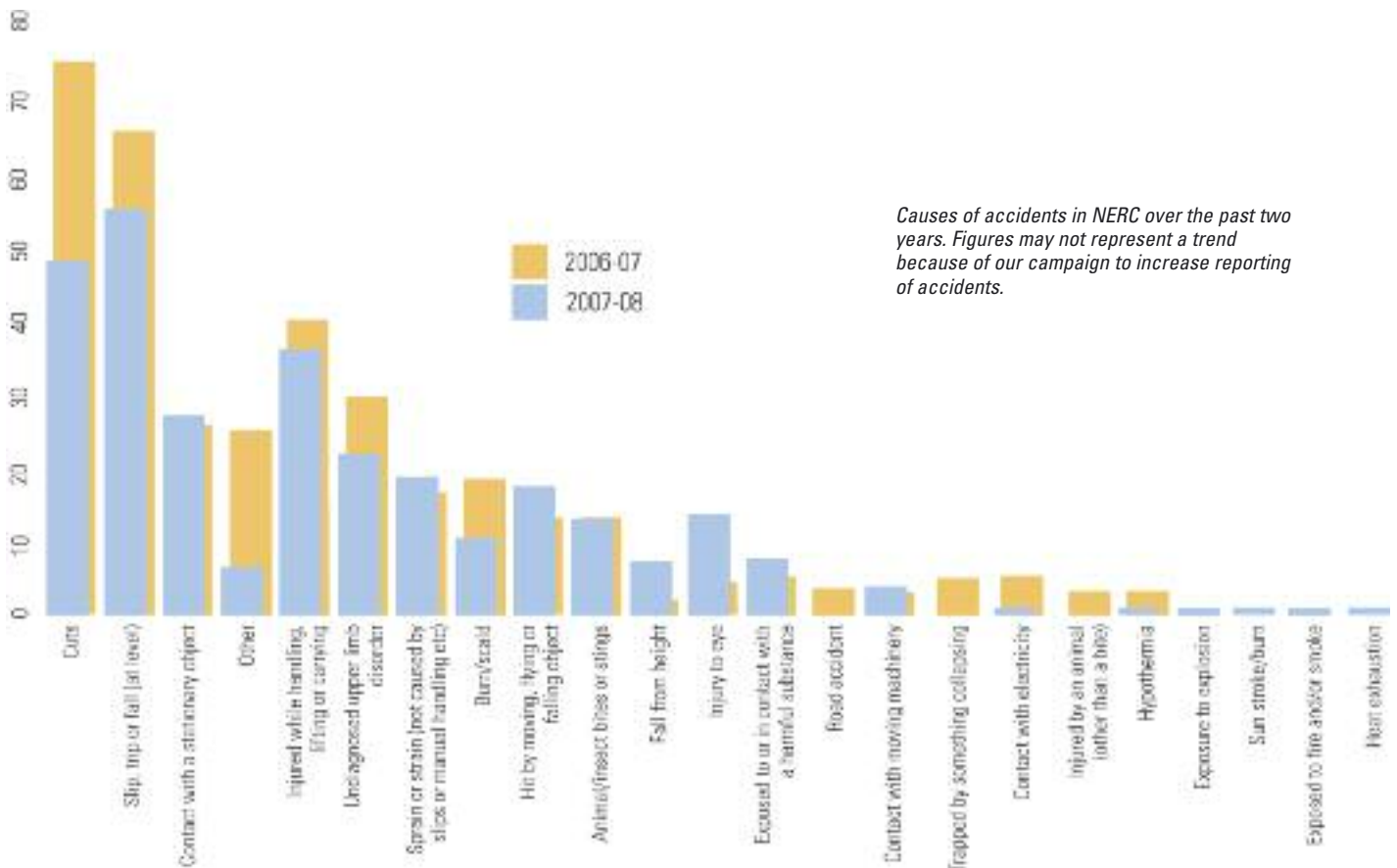
and manual handling) and to workshops and chemical hazards.

The auditing priorities extend to include safety-management systems and large-scale handling and storage facilities. Audits are complete on several NERC sites in these additional areas. Audit results continue to be encouraging for the most part; a single area identified as needing significant improvement has been managed and now complies with policy.

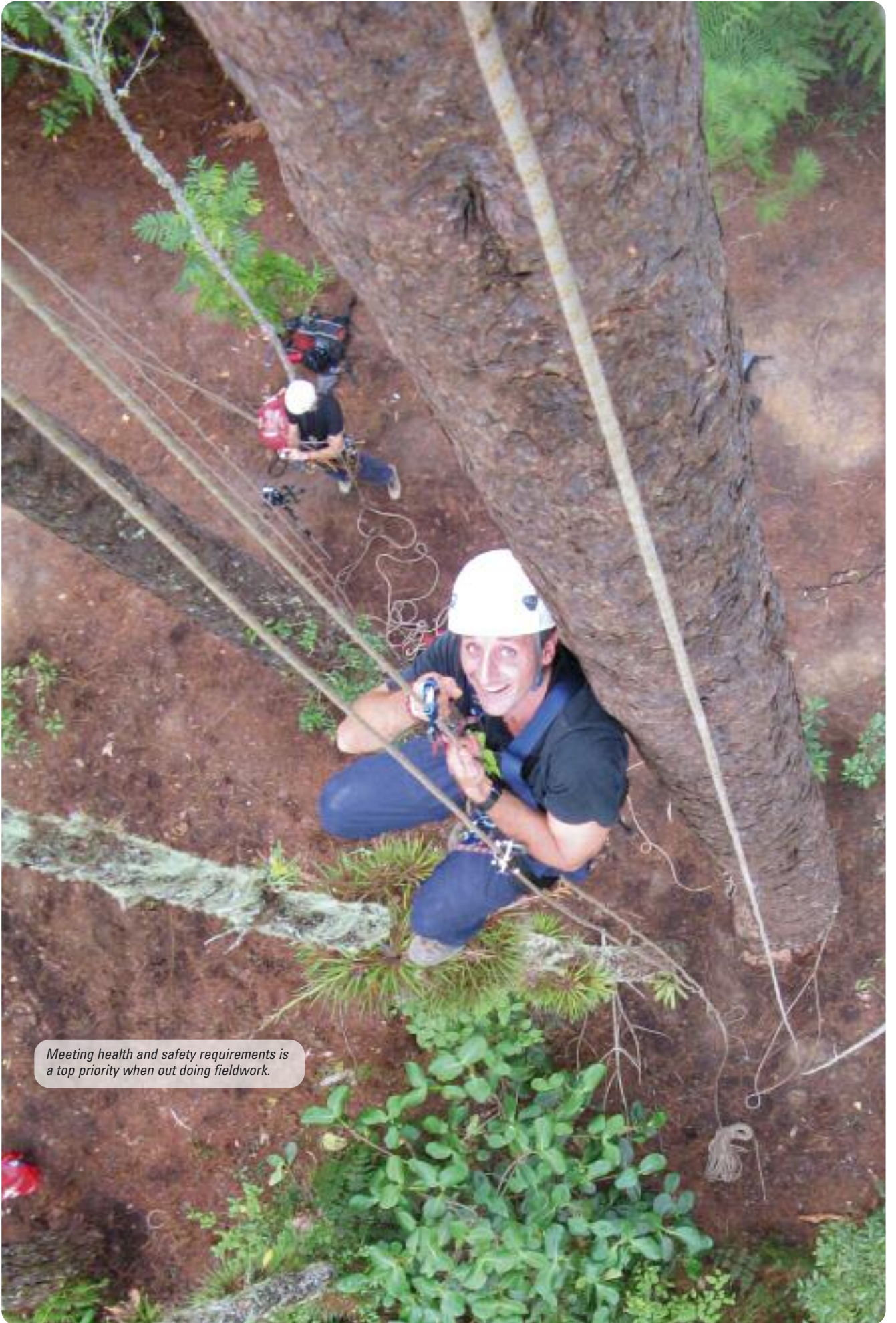
Accident reporting continues to improve. Where we have introduced new software systems, there is evidence of improved reporting of near-misses and incidents (damage to property rather than people). NERC will roll out the software throughout the next reporting year.

NERC has developed new initiatives to address two key issues: stress management and management of road risk. We have done this to reflect increased national concern in these areas and new government guidelines.

Accidents



Causes of accidents in NERC over the past two years. Figures may not represent a trend because of our campaign to increase reporting of accidents.



Meeting health and safety requirements is a top priority when out doing fieldwork.

SCIENCE BUDGET EXPENDITURE IN RESEARCH ORGANISATIONS

Expenditure £k	RESPONSIVE AWARDS				JIF grants	Knowledge exchange	Research programme grants	Research programme students	Research programme fellows	Research contracts/progs	Collaborative centres	TOTAL
	Grants	PhD students	Masters	Fellowships								
Bangor University	767	290	112	77		99	127	42				1,514
Birkbeck College	47											47
Bournemouth University	8											8
Brunel University	91	22				-5						108
Cardiff University	282	537		73			463	55				1,410
Central Science Laboratory							60					60
Cranfield University	122		60				107	13				302
Durham University	771	365		151		75	127	42		285		1,816
Edge Hill University							37					37
Glasgow Caledonian University							23					23
Heriot-Watt University		21	47				36	28				132
Imperial College London	1,676	936	374	432		1	628	202	22	186	1,008	5,465
Keele University	3	41										44
King's College London	81	124	146			100	139					590
Kingston University	35									208		243
Lancaster University	578	355	101	128		126	346	68				1,702
Liverpool John Moores University	65	14										79
London School of Economics and Political Science						21						21
Loughborough University	100	21										121
Napier University							39					39
Newcastle University	628	509	280	211		2	299	66				1,995
Northumbria University	30											30
Open University	336	192		99			192	19		43		881
Oxford Brookes University		20	36									56
Queen Mary, University of London	640	15	33	80		56						824
Queen's University of Belfast	153											153
Roehampton University	-9											-9
Royal Holloway, Univ of London	270	304	230	61			136	15		109		1,125
Swansea University	215	235		139		89	55	14		453		1,200
UHI Millennium Institute							9					9
University College London	1,218	852	166	112			1,028	45		632		4,053
University of Aberdeen	1,680	429	115	307		85	548	44				3,208
University of Bath	100	25		56					10			191
University of Birmingham	778	473	222	73		84	556	27				2,213
University of Bradford		49	152	13								214
University of Brighton	35											35
University of Bristol	2,704	1,098		439		63	1,171	75		1,559		7,109
University of Cambridge	2,117	1,344	41	393	59	109	833	124	-21	232		5,231
University of Cumbria								11				11
University of Dundee	28						29			394		451
University of East Anglia	1,923	853	175	104	33	105	1,611	96		196	2,227	7,323
University of Edinburgh	2,460	1,176	184	861		128	633	101		535		6,078
University of Essex	368	174		104			133	36				815
University of Exeter	885	417	67	165			140	43	46			1,763
University of Glamorgan							58					58
University of Glasgow	442	199		342		20	112			155		1,270
University of Hertfordshire	21	53				34	72	15				195
University of Hull	32	145		67								244
University of Kent	14	39						31				84
University of Leeds	3,548	1,041	378	307		309	900	139		2,745	6,212	15,579
University of Leicester	682	313	47	56		21	124	80		286		1,609
University Of Lincoln	34											34
University of Liverpool	1,494	627		61		32	398	67		35		2,714

Expenditure £k	RESPONSIVE AWARDS				JIF grants	Knowledge exchange	Research programme grants	Research programme students	Research programme fellows	Research contracts/progs	Collaborative centres	TOTAL
	Grants	PhD students	Masters	Fellowships								
University of Manchester	2,636	705	39	243			1,185	40		296		5,144
University of Nottingham	202	122	36	59			-10	11		133		553
University of Oxford	2,490	1,263	58	388	-10	15	829	82		535		5,650
University of Plymouth	486	162	37				336	51				1,072
University of Portsmouth		16				5	13					34
University of Reading	2,288	861	394	383		52	1,659	70		1,617		7,324
University of Salford	45	28				-5		12		40		120
University of Sheffield	1,606	610	9	365		40	900	72		799		4,401
University of Southampton	889	694		101		6	878	234		53		2,855
University of St Andrews	1,199	400	48	-11		21	102		19		1,077	2,855
University of Stirling	154	259	50			29	286	7				785
University of Strathclyde	38	75		88								201
University of Surrey		16					137					153
University of Sussex	227	77					26					330
University of the West of England							100					100
University of the West of Scotland							89					89
University of Ulster	28											28
University of Wales, Aberystwyth	255	234		19								508
University of Warwick	572	171		80			138					961
University of Worcester							8					8
University of York	1,500	313	149				402	80		306		2,750
Zoological Society of London	239	199		192								630
Centre for Environment, Fisheries and Aquaculture Science (CEFAS)							72					72
Diamond Light Source Ltd	7											7
Fisheries Research Services Marine Laboratory							15					15
H R Wallingford Ltd							43					43
John Innes Centre	49						59					108
London School of Hygiene and Tropical Medicine							45					45
Macaulay Land Use Research Institute							2					2
Marine Biological Association	206					19					1,186	1,411
National Institute of Agricultural Botany	28											28
Natural History Museum	396	21				5	204					626
Plymouth Marine Laboratory	305	192				108	571			860	1,111	3,147
Policy Studies Institute		279					3,286					3,565
Rothamsted Research							78					78
Royal Botanic Gardens – Edinburgh				56								56
Royal Botanic Gardens Kew	73						74					147
Sir Alister Hardy Foundation for Ocean Sciences						3					387	390
Scottish Agricultural College							9	14				23
Scottish Association For Marine Science	258	113				70	234			332	1,151	2,158
Scottish Crop Research Institute							2					2
Scottish Universities Environmental Research and Reactor Centre	32	50					50			1,719		1,851
STFC - Rutherford Appleton Laboratory	131					14	163			2,891		3,199
The Institute for European Environment Policy							65					65
TOTAL	43,791	20,168	3,786	6,874	82	1,936	23,219	2,171	76	17,634	14,359	134,096

GRANTS AWARDED IN 2007-08

	RESEARCH GRANTS									
	RESPONSIVE								RESEARCH PROGRAMMES	
	Small grant		Standard grant		Antarctic Funding Initiative		Consortium grant			
	Number	Value £k	Number	Value £k	Number	Value £k	Number	Value £k	Number	Value £k
Bangor University			6	1,491	1	200			3	396
Birkbeck College			1	48						
Bournemouth University	1	34								
Cardiff University	2	73	5	1,246					2	98
Cranfield University									1	57
Durham University	4	161	6	2,070						
Glasgow Caledonian University									1	88
Heriot-Watt University			1	16						
Imperial College London	2	109	7	2,065					3	544
Keele University	1	70								
King's College London			1	254					2	229
Lancaster University	1	44	6	1,257	1	33			4	599
Liverpool John Moores University										
Manchester Metropolitan University	1	64								
Marine Biological Association			1	379						
National Oceanography Centre			1	307					2	257
Natural History Museum	1	64	3	898			1	290	2	92
NERC British Antarctic Survey	2	91	2	566	6	246				
NERC British Geological Survey			1	22			1	742		
NERC Centre for Ecology and Hydrology	1	53	1	89			1	280	8	1,931
Newcastle University			6	1,891					3	243
Open University	2	94	2	597						
Plymouth Marine Laboratory	1	28	1	102					7	599
Proudman Oceanographic Laboratory			2	602					3	136
Queen Mary, University of London			4	944						
Queen's University of Belfast			2	295						
Roehampton University										
Royal Botanic Gardens Kew			1	280						
Royal Holloway, University of London	1	48	2	583			1	1,014		
Scottish Association For Marine Science	1	55	2	406	1	171			2	57
Scottish Universities Environmental Research Centre			1	330						
STFC - RAL			1	16					1	65
Swansea University	1	43	2	535	1	376			1	81
University College London	2	128	2	555					2	201
University of Aberdeen			2	767					2	229
University of Bath										
University of Birmingham			4	1,336					4	184
University of Bradford										
University of Brighton			1	227						
University of Bristol	5	263	3	1,188					4	502
University of Cambridge	3	107	8	1,889			2	1,738		
University of Cumbria										
University of East Anglia	2	151	3	952	3	961	1	213	6	879
University of Edinburgh	1	33	10	3,405	1	285	1	468	3	203
University of Essex	1	35	2	595						
University of Exeter	2	200	5	1,412					3	215
University of Glasgow			3	704			1	312		
University of Hull										
University of Leeds	7	439	9	1,245			4	3,133	5	356
University of Leicester	2	123	3	692			1	388	3	131
University of Liverpool	3	124	7	1,129					2	175
University of Manchester	1	55	7	2,438	1	142	3	2,026	2	98
University of Nottingham			1	249						
University of Oxford	3	160	8	2,925			2	1,152	5	1,153
University of Plymouth	4	214	1	246					2	123
University of Portsmouth									1	49
University of Reading	3	141	2	376			1	305	2	250
University of Salford							1	239		
University of Sheffield			10	2,268			1	200	3	155
University of Southampton	1	52	6	1,201	1	332	1	456	1	80
University of St Andrews			5	2,019			1	132	2	220
University of Stirling										
University of Strathclyde			1	133					2	323
University of Surrey										
University of Sussex			3	1,026						
University of Ulster	2	80								
University of Wales, Aberystwyth			1	278						
University of Warwick	2	50	3	703					2	163
University of York	1	110	2	659			1	119	3	253
Zoological Society of London			1	358						
Total	67	3,496	181	48,264	16	2,746	25	13,207	104	11,414

KNOWLEDGE EXCHANGE		RESEARCH FELLOWS		RESEARCH STUDENTSHIPS				
		Post-doc fellow	Advanced fellow	Responsive PhD	Responsive project PhD	Open case	Research programme PhD	Research programme project PhD
		Number	Number	Number	Number	Number	Number	Number
1	161	1		3				
1	158			6	2			
				3	1	4		
			1	8	2	2	1	1
		1		1	1	1		1
				2		2		1
1	24			4				
		2		1	4	1		1
				8		1		
1	98			4				
				2				
				1		1		
1	81	1		1		2		
				1		1		
1	89					1		
		1		2	1			
			1	8				
				5	1	2		
				5	2	2		
		1		1				
2	225	2		13	2	2		
				13	1		1	
		4		13	1	1	3	
		1		16		2		
			1	2		2	1	
				6		2		
		1		3	1	2		
				2				
		1		13	1	4	1	
				7			1	
				7				
				11		1		
				1			1	
2	405	2	1	14	2	1		
				2		1		
2	194							1
1	83	2		9	2			
		3		7	3			
1	165		1	10	1			
				5	1			
			1	2		1		
				2				
				1				
			1	3				
				3				
				5	1	1		2
				2				
14	1,683	22	7	250	28	38	9	7

HOW WE SPENT THE SCIENCE BUDGET (£m)

	Allocation	Outturn	Variance
Directed Programmes			
Aerosol Impacts	0.867	1.293	0.426
Autosub under ice	0.129	0.104	-0.025
Clouds, Water Vapour and Climate	0.017	0.017	0.000
Core Strategic Measurements for Atmospheric Science	0.127	0.124	-0.003
Coupled Ocean-Atmosphere Processes and their Effect on Climate	0.016	0.015	-0.001
Depleted Uranium	-0.050	-0.361	-0.311
e-Science	2.299	2.169	-0.130
Ecology and Hydrology Funding Initiative	1.036	0.596	-0.440
Environment and Health	0.540	1.156	0.616
Environmental factors in the chronology of human evolution and dispersal	0.011	-0.018	-0.029
Environmental Nanotechnology	-0.091	0.086	0.177
Flood Risk from Extreme Events	1.864	1.848	-0.016
Flood Risk Management Consortium	0.056	0.069	0.013
Integrated Ocean Drilling programme	5.266	2.510	-2.756
International Polar Year - Science programme	1.614	1.473	-0.141
Joint NERC/EPSRC Environmental Maths & Statistics programme	-0.216	-0.193	0.023
Low Carbon Innovation	0.097	0.109	0.012
Lowland Catchment Research	0.182	0.166	-0.016
Ocean Drilling Programme	0.088	0.011	-0.077
Ocean Margins LINK Programme	0.353	0.300	-0.053
Marine & Freshwater Microbial Biodiversity	0.000	0.013	0.013
Polluted Troposphere	0.157	0.137	-0.020
Post Genomics	2.809	2.509	-0.300
Quantifying the Earth System	6.210	4.218	-1.992
Rapid climate change and the stability of the thermohaline circulation	2.656	2.564	-0.092
RAPIDWATCH - Rapid climate change and the stability of the thermohaline circulation Phase II	0.815	0.166	-0.649
Rural Economy & Land Use	2.563	2.565	0.002
Strategic Oceans Funding Initiative	0.412	0.003	-0.409
Study of composition and structure of the lower stratosphere and upper troposphere at middle latitudes (OZONE)	0.037	0.039	0.002
Surface Ocean Lower Atmosphere Interactions	3.077	2.718	-0.359
Sustainable Energy	1.711	1.290	-0.421
Sustainable Marine Bioresources	0.000	0.063	0.063
Other Programmes			
Earth Observation programmes	0.811	1.072	0.261
Eurocores - Mineral Sciences	0.150	0.422	0.272
Eurocores - Biodiversity	0.194	0.131	-0.063
International Subscriptions	2.231	1.329	-0.902
Knowledge Transfer	4.589	3.723	-0.866
Commercialisation	1.395	0.409	-0.986
Theme Leaders	0.676	0.367	-0.309
Data Centre Support	0.842	0.583	-0.259

	Allocation	Outturn	Variance
MBA Library	0.334	0.309	-0.025
Other minor programme activities	0.777	1.376	0.599
Collaborative Centres			
EO Centres of Excellence	7.168	4.648	-2.520
Centre for Population Biology	1.392	1.300	-0.092
National Centre for Atmospheric Science	6.952	8.746	1.794
UKPopNet	0.819	0.649	-0.170
Tyndall Centre for Climate Change Research	1.359	1.351	-0.008
Continuous Plankton Recorder Survey of the North West European Shelf and the North East Atlantic (SAHFOS)	0.387	0.387	0.000
Sea Mammal Research Unit	1.067	1.027	-0.040
Plymouth Marine Laboratory	4.330	4.266	-0.064
Scottish Association for Marine Science	2.269	2.231	-0.038
Marine Biological Association	0.929	0.948	0.019
European Space Agency	45.183	45.255	0.072
Scientific Facilities & Technology			
Marine Barter Bank	0.060	0.114	0.054
Marine Procurement Resource	-0.025	0.000	0.025
OCEANS 2025 Restructuring	0.579	0.397	-0.182
Oceans 2025 Science Coordinators	0.058	0.051	-0.007
Facility for Airborne Atmospheric Measurement	1.412	0.528	-0.884
Services & Facilities	5.944	6.421	0.477
Large Facilities Diamond	0.081	0.000	-0.081
Airborne Remote Sensing Facility	0.640	0.760	0.120
High Performance Computing	3.139	3.009	-0.130
<i>Services & Facilities</i>	<i>1.295</i>	<i>0.369</i>	<i>-0.926</i>
<i>Large Facilities High Performance Computing Capital</i>	<i>2.250</i>	<i>2.300</i>	<i>0.050</i>
<i>Large Facilities ISIS</i>	<i>0.050</i>	<i>0.000</i>	<i>-0.050</i>
<i>FAAM Capital Refurbishment</i>	<i>0.150</i>	<i>0.000</i>	<i>-0.150</i>
<i>Airborne Remote Sensing Facility - LIDAR</i>	<i>1.000</i>	<i>0.791</i>	<i>-0.209</i>
Responsive Mode Grants			
Standard Grants	33.983	31.025	-2.958
Small Grants	2.360	2.065	-0.295
New Investigator	1.008	1.211	0.203
Antarctic Funding Initiative (AFI)	1.586	1.499	-0.087
Consortium grants	6.802	8.073	1.271
Responsive Mode Training			
Studentships	23.480	23.954	0.474
Fellowships	6.261	6.874	0.613

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

	Allocation	Outturn	Variance
British Antarctic Survey			
Core Infrastructure	26.217	25.962	-0.255
Arctic Station	0.125	0.143	0.018
RRS Ernest Shackleton	1.700	1.700	0.000
Antarctic Bases Environmental Clean Up	1.126	1.074	-0.052
BAS for non-BAS use of JCR	0.684	0.684	0.000
Research Centre Science Programme	10.134	10.237	0.103
<i>Core Capital</i>	<i>3.110</i>	<i>1.592</i>	<i>-1.518</i>
<i>Capital Maintenance</i>	<i>0.403</i>	<i>0.489</i>	<i>0.086</i>
<i>Halley 6</i>	<i>13.426</i>	<i>13.893</i>	<i>0.467</i>
<i>Rothera Redevelopment</i>	<i>0.180</i>	<i>0.201</i>	<i>0.021</i>
British Geological Survey			
Core Infrastructure	9.108	7.553	-1.555
Research Centre Science Programme	16.305	17.059	0.754
<i>Core Capital</i>	<i>1.454</i>	<i>1.175</i>	<i>-0.279</i>
<i>Capital Maintenance (Capital Investment Strategy)</i>	<i>0.704</i>	<i>0.652</i>	<i>-0.052</i>
<i>Keyworth Blocks A-F</i>	<i>3.318</i>	<i>1.985</i>	<i>-1.333</i>
Centre for Ecology & Hydrology			
Research Centre Science Programme and infrastructure	21.894	21.895	0.001
Environment Centre Wales	0.100	0.100	0.000
<i>Capital Maintenance (Capital Investment Strategy)</i>	<i>2.143</i>	<i>2.713</i>	<i>0.570</i>
<i>Environment Centre Wales</i>	<i>0.325</i>	<i>0.155</i>	<i>-0.170</i>
CEH Transition and Integration	10.184	5.691	-4.493
<i>CEH Transition and Integration</i>	<i>1.217</i>	<i>1.377</i>	<i>0.160</i>
National Oceanography Centre, Southampton			
NOCS	9.348	8.365	-0.983
National Marine Facilities Division	11.157	12.216	1.059
<i>NOCS</i>	<i>2.117</i>	<i>2.470</i>	<i>0.353</i>
<i>National Marine Facilities Division</i>	<i>1.993</i>	<i>2.128</i>	<i>0.135</i>
Proudman Oceanographic Laboratory			
POL Science	2.270	2.270	0.000
Core Infrastructure	1.228	1.139	-0.089
British Oceanographic Data Centre	0.977	0.925	-0.052
<i>Core Infrastructure</i>	<i>1.212</i>	<i>1.075</i>	<i>-0.137</i>
<i>Capital Maintenance (Capital Investment Strategy)</i>	<i>0.096</i>	<i>0.070</i>	<i>-0.026</i>

	Allocation	Outturn	Variance
Other Infrastructure			
Swindon Office	13.008	11.300	-1.708
Provisions & Contingent Liabilities	1.504	1.275	-0.229
Electronic Records Management System	0.361	0.249	-0.112
Resource Management System (RMS)	0.170	0.149	-0.021
Corporate Systems Development (CSD)	0.300	0.628	0.328
GRID Highband Width Connection	0.549	0.719	0.170
Shared Services Centre Service Costs	0.000	0.245	0.245
Shared Services Centre Implementation Costs	2.900	2.380	-0.520
<i>Shared Service Centre Capital Costs</i>	<i>2.000</i>	<i>3.224</i>	<i>1.224</i>
<i>Discovery Replacement Project</i>	<i>0.150</i>	<i>0.125</i>	<i>-0.025</i>
<i>Corporate Capital</i>	<i>1.768</i>	<i>0.166</i>	<i>-1.602</i>
Restructuring	2.389	2.359	-0.030
Public Funding Initiative Scored Outside DEL	-1.014	-1.014	0.000
Balance Sheet Provisions	-5.577	-8.179	-2.602
Cost of Capital	9.193	8.933	-0.260
Depreciation	21.046	23.510	2.464
<i>Asset Disposals</i>	<i>-2.050</i>	<i>-1.928</i>	<i>0.122</i>
Overcommitment against Science Budget	-19.759		19.759
<i>Overcommitment against Science Budget</i>	<i>-2.675</i>		<i>2.675</i>
TOTAL NERC EXPENDITURE	389.137	388.858	-0.279
Comprises:			
Resource*	353.501	353.836	0.335
Capital	35.636	35.022	-0.614

Capital Expenditure in italics

* Resource figure differs from the Statement of Net Expenditure by £11.712m, which is broken down as follows:

	£m
Funding received from other bodies (recorded as financing in Table 14)	8.177
AME impairments	5.359
Asset Disposals (recorded under Capital)	-1.928
Change in discount factor	0.104

11.712

MANAGEMENT COMMENTARY

Statutory basis

These financial statements have been prepared in accordance with the 2007-08 Government Financial Reporting Manual (FRm) issued by the Department for Innovation Universities & Skills (DIUS). This manual is available from NERC Corporate Finance, Polaris House, North Star Avenue, Swindon SN2 1EU. The 2007-08 accounts have been prepared on an accruals basis whereby income and expenditure are 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 £362m, NERC won external support from government departments, other UK and overseas public sector bodies, the European Union and industry. In 2007-08, earned income totalled £48m, an increase of £1m from the previous year.

The Statement of Net Expenditure records a total income of £48m and a total expenditure of £407m resulting in net operating expenditure in the year of £359m. The total net book value of the fixed assets is £333m. Government Funds at 31 March 2008 amounted to £281m.

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 Department for Innovation, Universities and Skills to monitor its performance. On this basis NERC showed a balanced position.

Reconciliations can be found in Table 1 on page 45.

Developments during the year

Strategy launch

NERC's new five-year strategy was launched on 15 November 2007. *Next Generation Science for Planet Earth* tackles some of the most important environmental challenges facing society. The strategy is dynamic: NERC will regularly refresh and update it, in

consultation with stakeholders, as priorities change.

Delivering the NERC strategy

In parallel to *Next Generation Science for Planet Earth*, NERC has developed a new approach to managing performance. This has led to new and improved processes for planning, funding and managing science. These include two new funding modes: research programmes and national capability. NERC's four wholly owned research centres are aligning their mission statements, strategies and delivery plans to *Next Generation Science for Planet Earth*. Implementation starts 1 April 2008.

Delivery Plan 2007

In December 2007, NERC published its latest Delivery Plan setting out what NERC intends to achieve during the Comprehensive Spending Review (CSR) 2007 period 2008-11. The plan contributes to the delivery of HM Treasury's fifth public policy challenge for the CSR, and the Department for Innovation, Universities and Skills' strategic objectives: pursuing global excellence in research and knowledge; promoting the benefits of science in society and delivering science and technology skills in line with employer demand; and accelerating commercial exploitation through innovation and research.

Shared Service Centre

The seven research councils have agreed to establish a Shared Services Centre (SSC), based in Swindon. The SSC will provide finance, grants, human resources, information systems, procurement and payroll operational services to each of the councils and their institutes. The aim of the SSC is to reduce spending by sharing and standardising processes.

The SSC is incorporated as Research Councils UK Shared Services Centre Limited. There is a phased implementation plan for transferring the councils' services during 2008-09.

The Engineering and Physical Sciences Research Council (EPSRC) is hosting the shared services centre project on behalf of all councils to develop and establish the SSC.

The councils have agreed to share all these costs and NERC's agreed share is 21 per cent. Those costs for 2007-08 have been accounted for in NERC's books as £1,887k as expensed, £788k as provisions for redundancy and system termination costs and £3,224k as assets in the course of construction.

The transition to shared services centre is regarded as a business critical project.

National Centre for Earth Observation

In February 2008, NERC Council approved the science programme and funding allocation for the National Centre for Earth Observation (NCEO) to start April 2008. NCEO will have responsibility for the existing Earth Observation Centres of Excellence, which use data from Earth observation satellites to monitor global and regional changes in the environment.

Knowledge Exchange activities

Commercialisation: to develop the entrepreneurial culture within our research centres NERC has sought to increase the number of new ideas identified by research centre scientists and the commercialisation team. In 2007-08 more than 50 new ideas were proposed, against an annual target of 40.

Follow-on fund: NERC invested £493k in 2007-08 for proof-of-concept projects in the Follow-on Fund. This represents a significant increase over previous years and will help to speed up the commercialisation of new ideas.

Knowledge exchange plans: responsive mode grant applications must now include knowledge exchange plans relevant to the proposal. This is to encourage researchers to embed plans for knowledge exchange within initial planning for all NERC research investments.

Integrated Ocean Drilling Program (IODP)

NERC has agreed funding for Phase II of the UK Integrated Ocean Drilling Program (IODP). NERC will provide £7m investment over the next five years to enable the UK to maintain influence within IODP. Overall NERC's investment in IODP will be £12.6m over the CSR period.

Table 1

Reconciliation between annual accounts 2007-08 and DIUS reported outturn

	Resource £000	Capital £000
Net expenditure for the year (i)	365,548	
Less: AME impairments (i)	(5,359)	
Funding from other bodies	(8,177)	
Treatment of capital grants	(11,649)	11,649
Capital (ii)		36,950
Profit on the disposal of fixed assets (i)	1,928	(1,928)
The change in discount factor	(104)	
DIUS Outturn (resource and capital)	342,187	46,671
DIUS Science budget	342,323	46,814
Surplus reported to DIUS (iii)/(iv)	136	143

Notes:

(i) - taken from the Statement of Net Expenditure for the year ended 31 March 2008.

(ii) - taken from Note 9a - Tangible Fixed Assets.

(iii) - resource credit comprises £4,247k near-cash surplus and £4,111k non-cash deficit.

(iv) - capital surplus comprises £614k capital surplus and £471k capital grant deficit.

Replacement of RRS *Discovery*

The RCUK Executive Group has approved the business and science cases for the replacement of the Royal Research Ship *Discovery*. The project has now entered the procurement stage.

Council members

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 how far NERC meets its key performance objectives and targets.

A list of NERC Council members in 2007-08 is given in the Remuneration report (page 51). 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 Innovation, Universities and Skills and are drawn from 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 Innovation, Universities and Skills, Paul Williams, attends Council meetings. The Council Secretariat holds a Register of Interests, see: www.nerc.ac.uk/about/work/boards/council/interests.asp

Communications

We are increasing dialogue with stakeholders. Following an open consultation to develop the new strategy, we are planning several major community events in 2008-09. These events will allow researchers and

stakeholders to help identify our research priorities. They are also designed to help to create the vibrant, integrated research communities needed to deliver the strategy. We are improving and strengthening our internal communications to support this aim.

The strategy highlights the need to engage more with the public and to discuss science achievements and their implications. This is a key element of our knowledge exchange activity. During 2007, we supported several public exhibits to encourage dialogue with the public on research issues such as shrinking ice sheets and rising sea levels in a warmer world. Our science in society activities, which link to the RCUK Science in Society unit, aim to stimulate and engage children in environmental science issues to attract more young people into science careers. The results of the latest Public

Attitudes to Science Survey commissioned by RCUK and DIUS and published in March 2008 will inform our ongoing public engagement activities.

Each year, NERC organises six two-day training courses on communicating science to the public for PhD students and grant holders. These remain some of the most popular courses run by the research councils.

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 2007-08, 82% of payments were made within 30 days of the invoice date (2006-07: 83%). In accordance with the guidance given in Statutory Instrument 1997/571 the figure for creditor days is 23 days (2006-07: 21 days).

Risk

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

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

Data security

In accordance with Cabinet Office guidance

NERC reported one data security incident in 2007-08. As a consequence of a violent robbery from a third-party courier van, the paper payslips of all staff working at one of NERC's scientific sites were stolen in September 2007. This incident was not caused by a failure of NERC internal controls.

Foreign exchange risk

NERC is a contributor to the European Space Agency. Our agreed forward commitment is €201m over the Comprehensive Spending Review period (2008-09 – 2010-11). Funding is provided in sterling.

Going concern

The Accumulated Income and Expenditure Reserve carried forward at the 31 March 2008 shows a surplus of £180m.

Grant-in-aid for 2008-09, taking into account the amounts required to meet NERC's liabilities falling due in that year, has already been included in the department's estimates for that year, which has been approved by Parliament. 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 on 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 £54k. All of this

cost relates to audit services. There was no auditor remuneration for non-audit work.

So far as the Accounting Officer is aware, our auditors are aware of all relevant audit information. The Accounting Officer has done all he should 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

FRS 21 Events after the Balance Sheet Date requires the disclosure of the date on which the financial statements were 'authorised for issue' and who gave that authorisation. The financial statements were authorised for issue on the 8 July 2008 by Professor Alan J Thorpe. There have been no events after the balance sheet date requiring an adjustment to the financial statements.

Forward look

Living With Environmental Change

On 18 June 2008, the Secretary of State for Environment, Food and Rural Affairs, Hilary Benn MP, the Minister for Science and Innovation, Ian Pearson MP, and Lord Selborne, a member of the Lords Science and Technology Select Committee, launched the £1 billion *Living With Environmental Change* (LWEC) programme. NERC is the lead research council in this unprecedented interdisciplinary research and policy partnership.

During 2008, all 17 partners will design the strategic objectives, deliver an outline programme of work and create an evaluation and assessment strategy. Total NERC investment in LWEC over the Comprehensive Spending Review period (2008-11) will be £237m. This will be achieved through reorientating current activities and investing in new activities.

Nanoscience: engineering to application

NERC will invest up to £2m over the CSR period in the cross-council *NanoScience through Engineering to Application* programme. This will build on the research

capacity developed through the *Environmental Nanoscience Initiative*, a collaboration between research councils and government departments and agencies.

The Energy programme

NERC will invest £22m over the CSR period in the cross-council Energy programme. This will include a commitment of up to £4m in phase two of the cross-council initiative, the UK Energy Research Centre.

Global Threats to Security

NERC will invest up to £1m in the Global Threats to Security cross-council programme over the Spending Review period to create links with the Living With Environmental Change programme.

Lifelong Health and Well-Being

NERC will invest up to £1m in the Lifelong Health and Well-Being programme over the CSR period to collaborate on researching environmental factors relevant to ageing and human health.

Science Impacts Database

NERC will launch a science impacts database in 2008 to provide a central evidence source of the impact of NERC science.

National Capability Advisory Group

NERC will set-up a National Capability Advisory Group (NCAG) to maintain an overview of NERC's portfolio of National Capability and horizon-scan future needs and opportunities.

Technology Strategy Board

NERC will continue to work with the Technology Strategy Board to increase business interaction with the environmental science community.

Value for Money

NERC will define and enact the Comprehensive Spending Review Value for Money (CSR VFM) savings plan. VFM is the successor to the Gershon efficiency savings plan that was successfully completed by the research councils at the end of 2007-08.

Halley VI

By the end of 2010, NERC will complete construction of the Halley VI science base in Antarctica to support polar environmental research. NERC will invest £45-£50m over the life of the project.

Professor Alan J Thorpe

*Chief Executive and Accounting Officer
30 June 2008*

