



Department  
for Business  
Innovation & Skills

TRIENNIAL REVIEW OF THE  
RESEARCH COUNCILS

Final report

APRIL 2014

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# Executive Summary

## Stage One

**1.** Stage One of this review assessed the continuing need for the functions and form of the seven Research Councils, along with Research Councils UK (RCUK), which is the partnership body of all the Councils. These Non-Departmental Public Bodies are funded by BIS, and are responsible for investing public money in research and innovation in the UK.

**2.** Stage Two subsequently examined compliance with statutory accountabilities, financial and management responsibilities as defined by the Cabinet Office. It was carried out by a team of officials from the Department for Business, Innovation and Skills (BIS). They are independent of the Research Councils and the BIS sponsor team responsible for overseeing the Research Councils.

**3.** During the course of the review the team received views from over 100 stakeholders including businesses, Government, UK charities and National Academies, universities and Select Committees. The team also sought the views of the chairs and chief executives of the Research Councils and interested BIS officials.

**4.** In Stage One of the review, drawing upon the Councils' Royal Charter objectives the review team categorised the Research Councils functions as:

1. to promote and support by any means, including providing facilities and technical expertise, high-quality basic, strategic and applied research, and related postgraduate training;
2. to advance knowledge, understanding and technology and to provide trained researchers who meet the needs of their users and beneficiaries, and thereby to contribute to the economic competitiveness of the United Kingdom and effectiveness of public services and policy, and to enhance the quality of life and creative output of the nation;
3. in relation to these activities, to: (i) generate public awareness; (ii) communicate research outcomes; (iii) encourage public engagement and dialogue; (iv) disseminate knowledge; and (v) provide advice.

**5.** The review team found that there are strong interdependencies between all three functions, the value of all three functions combined is greater than the sum of the parts and that, for several reasons explored in this report, the Research Councils were uniquely placed to deliver them.

**6.** Based on the evidence gathered during the Review, the team concluded that the current balance of costs against benefits did not support a change to the current number of seven Research Councils. The team recommended that the Research Councils should be retained as NDPBs. However, the team believed that these conclusions should be revisited at the next Triennial Review to determine whether the position had changed.

7. The rationale for retention was:

- The case for ongoing Government funding of research is strong and points to the economic and social benefits it affords to society directly and through translation into innovation and public understanding. Respondents to the call for evidence recognised that there was a role for government in setting strategy and direction for research.
- The Haldane principle establishes that decisions on individual research proposals are best taken by researchers themselves through peer review. The Research Councils operate in a unique position to bring together expertise which could not otherwise be channelled in order to ensure this impartiality is delivered while at the same time maintaining the strategic connection with government priorities.
- There was little evidence that rationalisation of the number of Research Councils or merger into one large body would deliver more effective working or efficiencies. There was, however, evidence of significant costs associated with merging Councils, based on experience from previous mergers.

8. The Cabinet Office has set out three tests regarding our recommendation to retain NDPB status for the Research Councils. The tests, and our assessment of how the Research Councils performed against them, are given in the table below.

Test	Remarks
<b>Technical function needing external expertise</b>	Effective and strategic funding decisions require detailed technical knowledge of specific research areas and the communities of researchers that deliver them. Research Councils provide the required expertise in house, and also access to further expertise in the wider research community through independent, expert peer review.
<b>Political impartiality</b>	The need for political impartiality and independence from Ministers is clearly set out in the <i>Haldane Principle</i> , clearly endorsed by David Willetts. <sup>1</sup>
<b>Establishment of facts and figures with integrity</b>	The credibility of research findings and trust in its application relies on confidence in the impartiality of the Research Councils and their commitment to excellence in research.

<sup>1</sup> For instance this statement in Parliament of January 2012: “Science and Research spending follows the Haldane Principle which means that decisions on individual research proposals are best taken by researchers themselves through peer review and not Ministers. The Government support this principle as vital for the protection of academic independence and excellence”

<http://www.publications.parliament.uk/pa/cm201212/cmhansrd/cm120123/text/120123w0004.htm#12012339000836>

9. We therefore concluded that the Research Councils should be retained in their current form. This conclusion was accepted by the Minister for Universities and Science and the Minister for the Cabinet Office.

## Stage Two

10. In Stage Two of the review, the team considered in more detail the relationship between the Department and the Research Councils in order to assess compliance with statutory accountabilities and confirm that appropriate governance arrangements were in place. **The team concluded that, individually the Research Councils are operating from a position of strength and, within the terms of the assessment questions themselves, individually each Council is rated as Green. However, the review team believe that the overall rating for compliance should be scored as amber/green – there are some aspects that require substantial attention but overall compliance was good.**

11. This reflected our view that improvements need to be made in some key areas of collective activity, particularly in relation to the need for an improved performance management framework (a key recommendation from Stage One of the Review) to underpin accountability. In terms of the individual Research Councils, performance against the key Stage Two indicators as set out by Cabinet Office was strong. We have suggested some areas that the Research Councils may like to consider in strengthening their governance further, such as clarifying the role of the Boards in terms of consultative and challenge functions. The review team also found that the strong arrangements to ensure good use of public money at individual Council level are not yet as effective at a cross-Council level, and identified this as an area for improvement. The review team concluded that to ensure the most effective use of public funds at the collective level, Research Councils should work together as Research Councils UK and that this should include changes to the governance of RCUK Executive Group to charge the group with responsibility for delivering collective efficiency savings and transformational change across Research Councils. However, the review team recognise that Research Councils are already undertaking action to improve governance at the cross-Council level and welcome this.

12. Many of the areas for improvement identified in Stage Two broadly depend upon the outcomes of the first recommendation of Stage One of the review: *The Research Councils should explicitly consider the relative balance of activities and resource that should be devoted to each of their Royal Charter objectives, and agree with BIS a performance management framework that includes a clear picture of success, including quantitative metrics that would allow an evaluation of whether success had been achieved.* For this reason, it is the key recommendation of Stage Two that work to establish such an improved performance management framework be pursued by the Research Councils and BIS as a priority. We are confident that further improvements will flow from this, and that the overall position will be strengthened as a result.



# Stage One: Introduction

**13.** There are seven Research Councils which are the subject of this review, along with Research Councils UK (RCUK), which is the partnership body of all the Councils. The Councils are:

- Arts and Humanities Research Council (AHRC)
- Biotechnology and Biological Sciences Research Council (BBSRC)
- Economic and Social Research Council (ESRC)
- Engineering and Physical Sciences Research Council (EPSRC)
- Medical Research Council (MRC)
- Natural Environment Research Council (NERC)
- Science and Technology Facilities Council (STFC)

## Scope and Purpose of Triennial Reviews – Stage One

**14.** The Cabinet Office has identified two principal aims for Triennial Reviews:

- To provide robust challenge to the continuing need for individual Non Departmental Public Bodies (NDPBs) – both their functions and their form (Stage One); and
- Where it is agreed that a particular body should remain as an NDPB, to review the control and governance arrangements in place to ensure that the public body is complying with recognised principles of good corporate governance (Stage Two).

**15.** This report covers Stage One of the review of the Research Councils. The programme of departmental Triennial Reviews is agreed on a rolling basis with the Cabinet Office. The Cabinet Office agreed that the Department for Business, Innovation and Skills (BIS) would carry out a Triennial Review of the Research Councils beginning Q4 2012/13. All reviews are to be conducted in line with the following principles:

- **Proportionate:** not overly bureaucratic; appropriate for the size and nature of the NDPB.
- **Timely:** completed quickly to minimise disruption and reduce uncertainty.
- **Challenging:** robust and rigorous, evidencing the continuing need for functions and examining and evaluating a wide range of delivery options.

- **Inclusive:** open and inclusive. Individual NDPBs must be engaged, key users and stakeholders should have the opportunity to contribute. Parliament should be informed about the commencement and conclusions.
- **Transparent:** all reviews should be announced and reports should be published.
- **Value for Money:** conducted to ensure value for money for the taxpayer.

## Process and Methodologies

### Cabinet Office guidance<sup>2</sup>

**16.** The first Stage of the review should identify and examine the key functions of the NDPB. It should assess how the functions contribute to the core business of the NDPB and the sponsor department and consider whether the functions are still needed. Where the department concludes that a particular function is still needed, the review should then examine how this function might best be delivered.

**17.** When assessing how functions should be delivered, the review should examine a wide range of delivery options. This should include whether the function can be delivered by local government, the voluntary or private sectors, or mutual. It should also include an examination of different central government delivery models, including whether the function can be delivered by the sponsoring department, by a new or existing Executive Agency or by another existing central government body. It is government policy that NDPBs should only be set up, and remain in existence, where the NDPB model can be clearly evidenced as the most appropriate and cost-effective model for delivering the function in question. Reviews must evidence that functions have been assessed against a wide range of delivery options.

**18.** In many cases, some delivery options can be quickly rejected. However, for each function under consideration, the review should identify all viable delivery options and undertake a fuller assessment of these options. Where appropriate, this should include a cost and benefits analysis. If one of the delivery options is the NDPB option, this must also include an assessment against the government's 'three tests':

1. is this a technical function (which needs external expertise to deliver)?
2. is this a function which needs to be, and be seen to be, delivered with absolute political impartiality (such as certain regulatory or funding functions)?
3. is this a function which needs to be delivered independently of Ministers to establish facts and/or figures with integrity?

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<sup>2</sup> [http://www.civilservice.gov.uk/wp-content/uploads/2011/09/triennial-reviews-guidance-2011\\_tcm6-38900.pdf](http://www.civilservice.gov.uk/wp-content/uploads/2011/09/triennial-reviews-guidance-2011_tcm6-38900.pdf)

**19.** Based on these fuller assessments, the department can then make an informed decision on how the function should be delivered in the future:

- Abolish
- Move out of Central Government (e.g. to voluntary or private sector)
- Bring in-house (e.g. to an existing Executive Agency of BIS)
- Merge with another body
- Delivery by a new Executive Agency
- Continued delivery by an NDPB

### The BIS approach

**20.** Triennial Reviews are consistent with the BIS commitment to review its Partner Organisations (POs). The review has been run as a project, governed by the Triennial Review Group (TRG) and supported by a Project Manager from the Finance Directorate. The TRG is composed of BIS Directors.

**21.** A Challenge Panel provides robust challenge to the review and includes representation from BIS, the Cabinet Office and a BIS Non-Executive Director, and is chaired by the TRG Chairman.

### Stakeholder Engagement

**22.** A call for evidence letter on the Triennial Review was sent to stakeholders of the Research Councils for response by 28 February 2013. A number of submissions were accepted after the cut off date by prior agreement. This letter was also published on the BIS website so that anyone with an interest could respond (Annex A). A written Ministerial statement was made in both Houses of Parliament confirming the start of the review process. A list of respondents is included in Annex B of this report. The total number of written submissions received was 102.

**23.** In addition to the call for evidence, 36 meetings were held with a range of key stakeholders to explain the review, explore possibilities and discuss their views on the issues (Annex C). These were complemented with roundtable meetings with groups of stakeholders to explore some of the issues in more detail. The Senior Responsible Officer and colleagues also attended meetings of Research Council Chief Executives and with the Director General of Knowledge and Innovation in order to obtain the views of the bodies being reviewed and give feedback on the response received from stakeholders.

**24.** A summary of the evidence from respondents has been included in Annex D of this report.

## Context

### The importance of the Research Base to the UK

**25.** This Triennial Review should be seen in the context of the high value that the Government places on research, and the strength of the Research Councils in ensuring the quality of UK research.

**26.** The UK enjoys a world-class reputation for research and the Government recognises that maintaining a strong research base is vitally important, not only for economic growth but also to ensure the prosperity and wellbeing of the UK. In 2011 the Government asserted that the UK's future prosperity rests on our ability to compete in a global economy that is increasingly driven by innovation<sup>3</sup> and the Chancellor reinforced this in the 2012 Autumn Statement and 2013 Budget when he allocated an additional £2.1 billion to research and innovation.

**27.** An appropriate level of investment in the research base is therefore important for the future prosperity of the UK. The importance of research, the need to maintain our world-class reputation and the need to ensure that there are the right conditions for maximising the effectiveness of investment in this area are all issues which we have been very aware of (and which stakeholders have been vocal about) over the course of the review. It is worth noting that policy relating to funding in research, to which the Government remains committed, has been out of scope for the purposes of the review.

**28.** The Research Councils are at the heart of UK research and innovation, and play a vital role in driving this academic success and associated economic and societal benefit.

**29.** Although in some cases their structure and form has varied, they largely have long historical roots, and have built up prestigious reputations and strong relationships in their respective academic, business and other communities both in the UK and internationally. This brings tangible benefits – for instance that academics are prepared to provide unpaid peer review for the Research Councils – as well as improving the UK's prestige and international reputation in less measurable ways.

**30.** More recently, the Research Councils have made significant improvements in several areas of particular importance to government. The establishment of Research Councils UK and the transferral of all transactional back-office functions to the Shared Service Centre (now UK SBS Ltd) have helped drive strategic co-ordination and practical cost-saving. Several business respondents to the Review also noted that the Councils were working increasingly with the private sector, and the importance of research having clear routes to impact has been underlined in recent years, becoming part of the process of funding allocation for responsive research, as well as driving increasing engagement with the Technology Strategy Board (TSB).

**31.** This review is therefore working in the context of long-term core strengths of the Research Councils, such as strong academic links and a track record of funding internationally excellent research, and many of the changes in areas including greater

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<sup>3</sup> <http://www.bis.gov.uk/assets/BISCore/innovation/docs/11-1387-innovation-and-research-strategy-for-growth.pdf>

efficiencies and closer working with business are extensions of improvements that are currently in train.

## Rationale for Government funding of research

**32.** Science and research are vital for growth. They underpin innovation and are significant drivers of UK competitiveness. The strength of the UK research base, in particular the strength of fundamental research, is a reason why businesses choose to invest in the UK.

**33.** As well as the benefits to growth and competition, science and research contribute to other public goods. Research supports the wealth and welfare of the nation and contributes to the cultural richness of the UK, both directly and through providing advice to government and others. These benefits can be difficult to measure but are valued both in themselves, and for how they contribute to economic growth.

**34.** The benefits of research mean that it is a priority for many successful companies, particularly in the form of near-market R+D. However, government intervention in research is necessary, for the following key reasons (many connected with market failure):

- **Public Good Nature of Research:** Requirements to publish/share research mean it is difficult to secure exclusive property rights.
- **Absorptive capacity:** Necessary to understand, assimilate and exploit research from external sources to carry out leading research.
- **Information and coordination problems:** Where scale – or how proven the technology is – means it is hard for individuals and organisations to come together to work on projects.
- **Externalities:** Arising from spillovers. Leads to lower level of private sector investment than is socially optimal level, due to uncertainty as whether research outcomes will be easily appropriated.
- **Uncertainties:** Around future returns, and who benefits from the initial research expenditure. In addition, long time lags from research ideas to commercial application deter private investment.
- **Non-economic rationales:** Including health, cultural and social objectives.

## Government funding of the exploitation of research

**35.** It is clearly desirable that research is exploited for business or wider benefit: the question is whether this needs public sector involvement or will be provided through the market. There is a complex innovation ecosystem that drives exploitation of research, much of which is market and business led. However, government involvement is also important, for several reasons. In some cases, such as health, the exploitation is for straightforward public goods. In others, such as agriculture, intellectual rights over an application of some areas of research could be difficult for a business to establish and if achieved might limit the benefits being fully realised – the economic advantage is often dependent on making the research more broadly available. Even in cases ending in clear market usage of research, some public involvement can be important.

**36.** The process of exploiting fundamental research ultimately for business use often involves work that is still a significant way from market application. The long timescales, high costs and significant risk of failure in work on the exploitation of research often makes it difficult for firms to fund. In practice, government spending in research therefore works alongside market investment in R+D, rather than crowding it out. Historically, lack of Research Councils engagement with business limited private sector use of research – this realisation has led over recent years to a greater research council focus on business collaboration, as well as additional government funding for near-market solutions, for instance through the creation of the TSB.

**37.** Information disparities also mean that there are benefits to the exploitation of research being directly linked to the research itself. Companies, particularly SMEs, cannot always identify where research might be exploitable, as it is often hard to access without technical expertise. While companies can benefit from being open to research and encouraging innovation, those actually working on a research project or who are deeply immersed in the area are sometimes best placed to identify some of the potential benefits. Given the interests of government in growth, it would be wasteful to fund expensive research but not expend the relatively small effort required to help unlock the benefits of this research.

#### **Box 1: Research Councils' direct link to economic growth – Case Study on Research Council's Role in advancing mobile telephony and the formation of Vodafone**

The development of mobile phone technology started in the early 1970s when the first stable liquid crystal displays (which were later used in mobile phone displays) were invented. In the same year, the first solid polymer electrolyte was put forward, kick-starting a new field in battery technology for mobiles.

In the early 1980s, a Research Council funded Specially Promoted Programme (SPP) on Radio Communications began, fostering engagement between academics and industry with an interest in mobile technology. The electronics firm Racal were a key early player in this programme.

This SPP spawned a joint DTI/Science and Engineering Research Council (SERC) funded link programme in mobile communications, which Racal was involved in. In 1983, Racal created Vodafone, based on the knowledge and research they had developed as part of the SERC SPP and link programme.

Developments continued to throughout the 1990s, supported by Research Council funding, which went on to advance mobile telephony (including image sensors used in mobile phone cameras. For example, SERC continued a mobile communications programme through to 1993, which involved both network providers and handset manufacturers.

The 1994 White Paper *Realising our Potential* and the subsequent Technology Foresight activity on Communications (i.e. telecoms and broadcasting) proposed that there should be Virtual Centres of Excellence (VCE) between academia and industry. This idea was taken up by the Department for Trade and Industry and EPSRC, resulting in the Mobile VCE; this academic-industrial partnership (including in particular Vodafone) has been

### Box 1: Research Councils' direct link to economic growth – Case Study on Research Council's Role in advancing mobile telephony and the formation of Vodafone

sustained to this day.

In 2000, as research which advanced mobile telephony still further, Government secured £22.4 billion of commercial revenue from the auction of 3G licences. This was informed by Research Council investment in game theory. In 2004, annual global sales of mobile handsets hit one billion per year and represented 2.2% of GDP.

This shows that Research Council investments and programmes from the 1980s onwards have led directly to the development of mobile phone technology that many of us take for granted on a daily basis. These developments have had a significant impact on UK business and the economy and, in particular, to the formation of Vodafone, a UK based company that has been valued at £94 billion<sup>4</sup>.

### Government funding of engagement around research

**38.** 'Engagement' in research covers a range of activities: raising awareness of scientific disciplines and individual discoveries, addressing public concerns and engaging critically with Government to ensure that policies are well supported by the evidence. Individual universities have an interest in raising awareness of their own achievements, and businesses will wish to promote views of research that benefit their own products, but the story of national science and the meeting of public and policy needs both go beyond this – they require a more systematic approach and are a clear governmental interest. Failure to address public or policy understanding of science can harm health, welfare and economic growth, and government has a responsibility to manage this risk. Box 2 below gives an example of the risks of weak public engagement.

### Box 2: GM case study

In the 1990s an approach to science communication was that 'we' should simply explain things well and people will then agree with 'us' (the 'deficit' model). This approach has now been discredited, not least due to the example of GM in the early 1990s.

- It is commonly understood that GM became such a big issue as it acted as a lightning rod for other concerns – e.g. around globalisation and the power of multinationals. I.e. it was not GM the technology that people are necessarily against but more the perceived powerful vested interests who push it.
- Despite public engagement exercises taking place (e.g. the 1994 UK National Consensus Conference on plant Biotechnology – with BBSRC) and public worries over labelling, choice, and utility – to the consumer not the multinational – these messages were not listened to by the companies involved.

<sup>4</sup> April 2013: <http://www.bbc.co.uk/news/business-22009200>



## Box 2: GM case study

- The products which came to market attracted criticism because the GM traits – such as longer shelf life – were seen to be of benefit to companies not to consumers
- The ‘GM Nation’ public dialogue in 2002 has been criticised by both ‘sides’ for being biased and methodologically unsound

The upshot was that GM products, stemming in part from world class UK research were not accepted in the marketplace.

The Research Councils have moved towards dialogue where scientists do not hold the monopoly on knowing what is right etc. and better decisions can be made by considering a wide range of views and expertise. An excellent example of this approach is with Synthetic Biology where from the start there has been proper public engagement see: <http://www.bbsrc.ac.uk/society/dialogue/activities/synthetic-biology/findings-recommendations.aspx>

39. Box 3 sets out the parameters of this review.

## Box 3: Parameters of the review

### 1. *The relationship between government and Research – the Haldane Principle*

The **Haldane principle** – the principle that decisions on individual research proposals are best taken by researchers themselves through peer review – has remained a feature of government policy since it was first put forward in the early 20th Century, though its precise interpretation has varied to an extent since Haldane’s original report. **The Government has reaffirmed its commitment to Haldane and the maintenance of the principle is therefore government policy. We have been mindful of this in conducting the review – although we discuss interpretation and application in the upcoming section on ‘Functions and Form’ [particularly pages 42 and 44]**

### 2. *Individual Research Councils*

In line with Cabinet Office guidance on speed and proportionality, **we have looked at the Research Councils collectively, rather than individually.** Where respondents have made comments about specific Research Councils, we have considered these as part of the overall evidence base, but we have not made specific recommendations in relation to individual Councils.

### 3. *Research Council Institutes*

A series of comprehensive and ambitious reviews of Research Council Institutes is already underway in each of the Research Councils. This work is well underway and has already seen the number of institutes being operated by the Research Councils fall from 60 in 2006 to 35 in 2013, with further reductions planned. For this reason, we have sought to avoid duplicating this work and have **not reviewed the individual Research Council Institutes (RCIs)**. We recommend on page 49 of this report that the Research Councils should operate the methodology of the Triennial Review process as part of



### Box 3: Parameters of the review

their ongoing reviews, in order to evaluate how the functions of their Institutes should be delivered, taking account of alternative models.

### Previous Reviews of the Research Councils

**40.** The Triennial Review is only the latest exercise in an environment of ongoing review and reform of individual Research Councils, their Institutes and/or particular areas of science.

**41.** In 2001 the government carried out a Quinquennial Review of the Research Councils. Based on the evidence received, the 2001 review concluded that the Research Councils were a necessary mechanism for the delivery of government policy for scientific research and postgraduate training, and an important source of independent scientific advice to government. It also concluded that NDPB status remained the most appropriate organisational model for maintaining the Haldane principle, ensuring effective accountability for public funds and engaging the scientific communities. The review found that there were no perceived benefits expected from any radical change to the Research Councils' existing status.

**42.** However, the review made a key recommendation that a 'Research Councils UK Strategy Group' should be set up "in order to enhance the collective leadership and influence of the Research Councils and encourage cross-Council collaboration both at strategic and operational levels." As a result, RCUK was established in 2002 to perform this role.

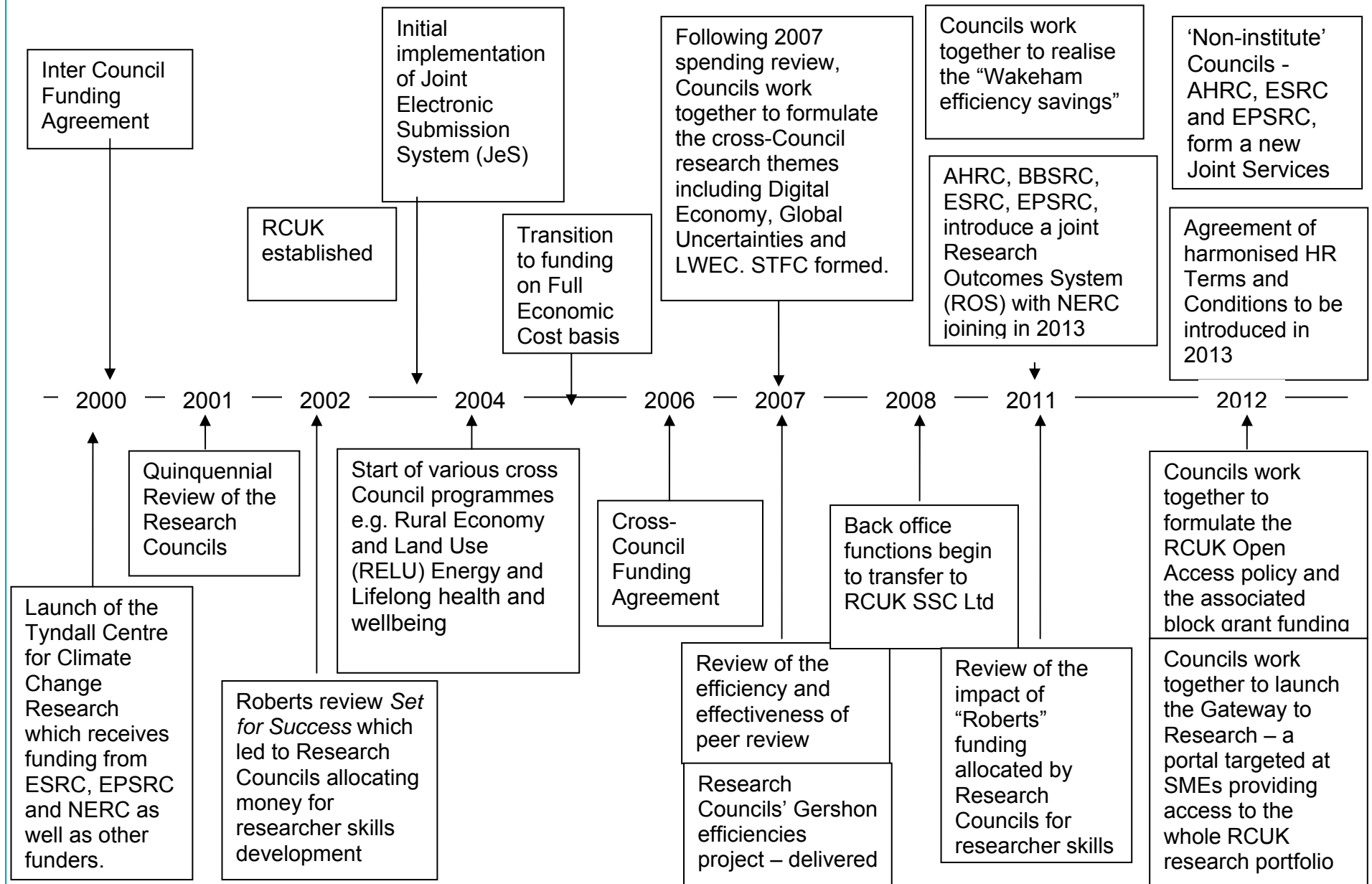
**43.** In June 2010 the Minister for the Cabinet Office and Paymaster General considered BIS public bodies as part of the public bodies reform agenda, applying the government's test on whether the function should be carried out by the State. The Research Councils were reviewed against the three Triennial Review criteria. The decision was taken to retain the Research Councils as arm's length bodies because of the need for Research Councils to maintain the impartiality that is delivered through their NDPB structure.

**44.** Figure 1 below sets out other reviews and key changes in the Research Councils which have taken place in recent times, including:

- The Quinquennial Review of the Research Councils in 2001;
- Implementation in 2004 of a shared web-based system for grant applications to the Research Councils;
- Merger of the Particle Physics and Astronomy Research Council (PPARC) and the Council for the Central Laboratory of the Research Councils (CCLRC) to form the Science and Technology Facilities Council (STFC) in 2007;
- Setting up the RCUK Shared Services Centre in 2008;

- Developing and leading cross Council, multi-disciplinary programmes such as Energy, Living with Environmental Change and Global Food Security – throughout the period from 2007.

## The Changing Research Councils' Landscape



# Functions and Form

## The functions of the Research Councils

**45.** The core functions of the Research Councils are to:

- (i) channel public funding into research in the most effective and efficient manner;
- (ii) ensure the UK gets the most (economic) benefit from its research capability; and
- (iii) provide strategic oversight in relation to research, so the whole is greater than the sum of its parts.

**46.** These functions are delivered through the Councils' objectives as set out in their Royal Charter (see Box 4 below). These objectives can broadly be understood to reflect the Government interest in research, exploitation and engagement respectively.

**47.** This review considers whether the Research Councils are the appropriate bodies to carry out these functions, and if so whether the activities the Councils undertake are a suitable way to do so.

### Box 4: Royal Charter Objectives

1. to promote and support by any means, including providing facilities and technical expertise, high-quality basic, strategic and applied research and related postgraduate training;
2. to advance knowledge, understanding and technology and provide trained researchers who meet the needs of their users and beneficiaries, and thereby to contribute to the economic competitiveness of the United Kingdom and effectiveness of public services and policy, and to enhance the quality of life and creative output of the nation;
3. in relation to these activities, to: (i) generate public awareness; (ii) communicate research outcomes; (iii) encourage public engagement and dialogue; (iv) disseminate knowledge; and (v) provide advice.

Research Councils perform a number of activities in order to deliver particular elements of these core functions and therefore meet their Royal Objectives. These can be mapped across to (i), (ii) and (iii) above and include:

- funding research programmes selected on the basis of excellence (using peer review);
- funding and coordinating postgraduate training;

- undertaking knowledge exchange activities including research and innovation campuses;
- sponsoring or directly running RCIs;
- providing access to large scale research facilities both in the UK and, through international subscription, overseas;
- establishing international collaborations and long term links which stimulate trade and help access new emerging markets;
- engaging with the public and business, and advising policy-makers;
- evaluating the effectiveness and impact of their research.

## How these functions contribute to the core business of BIS

**48.** Most government departments have an interest in research, at least as customers. Some, like DEFRA, DfID and MoD, have close contact with the Research Councils and well-established research budgets in their own right. BIS, however, has a particular interest in maintaining the broad capability of the research base on behalf of the whole of Government. Its responsibility for supporting innovation and skills, and its sponsorship of the universities sector, give it a direct link to academia. But more fundamentally, research contributes significantly to the underlying objective of all BIS work: ‘To achieve strong, sustainable and balanced growth evenly shared across the country and between industries’. Research, exploitation and engagement are particularly relevant to the following BIS objectives.

- Investing further in the UK’s world-class research base, and using it to encourage high quality business investment;
- Stimulating greater innovation and commercialisation of science and research;
- Creating a sustainable, world-class higher education system open to people of all backgrounds.

## Are the Research Councils a suitable mechanism to deliver these functions and objectives?

**49.** The question of whether the Research Councils are a suitable mechanism to deliver these objectives and functions depends on an understanding of the core characteristics of Research Councils, as opposed to other models, such as funding directly from Ministerial departments, distribution through HEFCE. In this section, the focus is on the functional form of Research Councils: the question of improvements within this basic form – and of how many such Research Councils there should be – is explored later in the review.

### The characteristics of a Research Council

**50.** When deciding whether Research Councils are an appropriate way to deliver the Government’s objectives around research, the primary focus must be the Research Councils’ function of funding research programmes selected on the basis of excellence (function (i) above). This function accounts for around half of Research Council spending,

underpins many of the other Research Council functions and is undertaken by every Research Council. Being well-placed to deliver this is therefore central to our understanding of what a Research Council is.

**51.** In the UK, successive governments have prioritised ensuring the highest quality research as identified within academia, rather than government-defined priorities. The UK system reflects the serendipitous nature of research and is reflected in particular through the Haldane Principle and the use of academic peer review to identify which research to fund.

**52.** It is difficult to measure the UK system directly against international approaches: the difference between countries largely reflects political choices about what they value, and the balance of long-term and short-term priorities. However, the UK system performs very well on its own terms, coming second (to the much higher-spending US) on citations. The focus on excellence also seems to have practical benefits, with businesses highlighting the quality of research as a reason they invest in the UK.

**53.** This focus on excellence is the reason behind the dual-funding system, with funding both for excellent units (normally departments) (from QR) based on a retrospective view of research excellence and for individual proposals or programmes (from Research Council grants) that take a prospective view of the research excellence of the ideas proposed.

**54.** The case for Government supporting research via the Research Councils rather than other means is therefore based on the characteristics provided by Research Councils which allow them to effectively deliver the function of independently identifying excellent research in such a prospective manner. Identifying these core characteristics helps establish whether Research Councils are suited to taking on other functions or objectives (Box 5 below).

#### **Box 5: Characteristics required for successful Research Council operation**

To deliver their most basic function of funding excellent research proposals and programmes a Research Council needs:

1. a national structure that places individual funding decisions beyond the reach of Ministers, in line with the Haldane Principle;
2. a strategic overview of the disciplines for which it is responsible, to allow prioritisation of funding between different areas; and
3. a strong relationship with relevant research and user communities in the UK and overseas, to ensure their confidence, and to be able to draw on their expertise for peer review in order to enable the identification of the highest quality proposals.
4. sufficient means to provide a sustained long-term capability in research and training which produces a pipeline of ideas, people and innovations needed both by business, other government departments, and which remains flexible enough to move into new areas (e.g. graphene, synthetic biology) as they arise.

## Should supporting excellent research be the sole objective of the Research Councils?

**55.** The core characteristics of the Research Councils are built around what is needed to support excellent research. Moreover, the UK approach to research is founded on the insight that many of the long-term benefits of research are associated simply with excellence itself. The Research Councils could simply focus on funding the best research, not taking account of exploitation or engagement. These objectives would then be pursued by others, such as the universities sector or BIS itself. This would mean the Research Councils had a very clear single mission.

**56.** However, such an approach would mean that government's clear interest in exploitation and engagement was not reflected in its main route of funding for research. Obtaining Research Council funding is a highly competitive process, key to researchers' careers – ignoring the wider priorities around research would miss a vital lever that government has to ensure the overall interests of the public are reflected in publically funded research. It seems more efficient to use the existing grant system to help support proper exploitation and engagement around a research project, rather than create separate structures to drive these Government objectives.

## Should funding research programmes be the sole function of the Research Councils?

**57.** As explored above, the unique role played by Research Councils is due to how they fund research. This largely grant-based approach is the UK's approach to ensuring the quality of research, and also contributes to skills development, exploitation and engagement. Research Councils could therefore contribute to all of their Royal Charter objectives (and Government's underlying interest) through pursuing this function alone.

**58.** Limiting Research Councils to this single function would provide a more streamlined, transparent structure, but as noted above they currently undertake a range of other activities directed at research, exploitation and engagement. These activities map on to functions (ii) and (iii) and taken together make up around half of the overall Research Council budget.

**59.** These complicate the basic research and skills-funding structure and should be justified on the basis of benefits and synergies of such activities being carried out by the same body that distributes grant funding for research.

## Summary – unique position of Research Councils in delivering all three functions

**60.** There are three main arguments for the activities supporting all three core functions being undertaken by the Research Councils rather than other bodies.

### 1. Getting the best value from research grants

**61.** Research Councils will use other approaches where this unlocks benefits more effectively than working through the grant system would. A Research Council wishing to ensure an area of research is transferred to customers or that suitable postdoctoral expertise is created might find that direct work on Knowledge Exchange or training is more effective and better value for money than driving the same outcomes through placing



requirements in grant proposals. This principle of flexibility is reflected in the Research Councils' Royal Charters, which state that they should seek to achieve their objectives 'by any means'.

## 2. Getting the most benefit from the expertise and position of Research Councils

**62.** As noted in Box 5, the core research funding work of the Research Councils requires them to have clear independence, a strategic overview of research and strong relationships with the research community. These qualities make them very well suited for other activities within the research system that need to be done at a national level and benefit from independence from government. For instance, decisions on where to base a new doctoral training centre or which international research projects to fund benefit both from a strategic grasp of the discipline, as well as political independence.

**63.** Separate bodies could be created to identify doctoral training needs, fund research infrastructure or other activities, but these would have to replicate the expertise and relationships of the Research Councils, adding additional cost, and making it less likely that the various areas of funding would be well coordinated.

## 3. Providing a trusted voice for science and research

**64.** Ministerial departments are directly involved in engagement on science and research, with a network of Chief Scientific Advisors and the Government Office for Science. However, public communication from government is not always enough. Historical cases such as BSE have undermined public confidence, and the science cannot always be fully separated from political positions. However, individual scientists often do not have a complete view of an issue, and some who communicate with the public are not representative of mainstream scientific opinion (for instance in the case of the MMR vaccine). The characteristics of Research Councils (as identified in Box X) make them very well placed to take on this communication role, specifically their independence from politics and ability to provide co-ordinated voices for scientific disciplines as a whole.

**65.** Equally important is engagement with government itself. Government needs reliable advice on scientific issues, and Research Councils' strategic overview of research and relationships with academia mean that they are very well placed to provide this. Equally, their position allows them to proactively engage with government and contribute to public debate on issues that government is not even aware of but which provide risks or opportunities to the UK.

**66.** There are others who can contribute to this sort of engagement – in particular the National Academies and other third sector bodies. However, the Research Councils' other functions and qualities mean that they have the capability to contribute to engagement in both these ways, and failing to take advantage of this position would be missing a valuable opportunity. An example of Research Council engagement with government is the EPSRC's work with the Auto sector Box 6.



### Box 6: Government support for Low Carbon Vehicles R&D – working with EPSRC to respond to the industrial challenge

Innovation of new products and processes is a critical success factor in a manufacturing sector like automotive. One of the pressing drivers of change in the sector is the environmental need to meet the climate change challenge through the decarbonisation of cars and other road vehicles whilst satisfying customer demand and remaining internationally competitive. There is no single solution and different companies are all pursuing different strategies.

The implication for government is that it is difficult to support innovation with such a variety of stakeholder priorities.

The approach taken in the automotive sector to address this problem has been for BIS to work with industry through the Automotive Council to build a consensus low carbon technology roadmap, an associated priority research agenda and an agreed set of sticky technologies which have the buy-in from all stakeholders. This coordinated approach provides a single view of the priority challenges which the Technology Strategy Board has used as a tool to develop a highly effective and focussed programme of industrial research. Analysis of the so-called Low Carbon Vehicles Innovation Platform (LCVIP) which has now run several competitions to a total value of over £300m, is reporting vfm figures some 5-times higher than the returns obtained for generic collaborative R&D.

BIS is now looking to extend and enhance this proven coordinated approach into the basic research community. Analysis of EPSRC support for the Automotive Council sticky technologies shows a sizeable portfolio of around £100m but spread around a number of research groups.

BIS is therefore working with EPSRC, to set up an Automotive Sector Advisory Group, made up of a sub-set of the Council's Technology Group. The intention is not to direct academic research or to compromise research freedoms but to ensure their world class capabilities and ideas are captured through a more focussed and coordinated communication of the priority challenges.

## Functions carried out by Research Council Institutes

**67.** The case for the Research Council functions currently carried out by their institutes is less clear cut. This has been recognised by the Research Councils, who have been reviewing all of their associated bodies individually, with many already having been moved to the private sector or to the third sector. The Triennial review team has not duplicated these ongoing reviews here, in light of the Cabinet Office guidance to keep the reviews proportionate and light-touch. There is likely to be a case for similar changes to the status of some of the remaining Research Council institutes, but the existing reviews are the appropriate place to consider the evidence. Further detail is set out below (pages 45 -49).

## The responsibilities and objectives of the seven Research Councils

**68.** The seven Research Councils<sup>5</sup> are a core channel through which government supports the UK's basic, applied and translational research base and they complement the Higher Education Funding in Councils in the four countries of the United Kingdom.

**69.** The Research Councils invest around £3.5 billion a year in research covering the full spectrum of academic disciplines from the biological and medical sciences to astronomy, physics, chemistry and engineering, social sciences, environmental sciences and the arts and humanities.

**70.** Their overall vision is:

*“... to deliver innovative fundamental research and strategic, focussed research and training programmes to foster economic growth and ensure the prosperity and wellbeing of the UK.”*

**71.** Each of the seven Research Councils fund research in specific areas (Table 1). Four of the Research Councils also support Research Council institutes<sup>6</sup>, which they fully or partially fund. In addition, the Research Councils work together, under the umbrella of RCUK to facilitate beneficial cross-Council working.

Table 1: Research Council remit		
Research Council	Covers	Institutes
<b>AHRC</b>	Arts and humanities	None
<b>BBSRC</b>	Biological systems.  Underpins key sectors of UK economy including agriculture, bioenergy, biotechnology, food and drink and pharmaceuticals.	<ul style="list-style-type: none"> <li>• Pirbright Institute</li> </ul> <p>Institutes now registered charities and companies limited by guarantee operating independently of BBSRC</p> <ul style="list-style-type: none"> <li>• Babraham Institute</li> <li>• Institute of Food Research</li> <li>• Rothamsted Research</li> <li>• The Genome Analysis Centre</li> </ul> <p>Institutes now operating within Universities and independently of BBSRC</p>

<sup>5</sup> AHRC, BBSRC, EPSRC, ESRC, MRC, NERC and STFC with RCUK as the umbrella organisation. See <http://www.rcuk.ac.uk/research/Pages/Areas.aspx> for brief details of each Council

<sup>6</sup> Research Council Institutes is being used as a generic term and covers all associated bodies of BBSRC, MRC, NERC and STFC.

Table 1: Research Council remit		
Research Council	Covers	Institutes
		<ul style="list-style-type: none"> <li>Institute of Biological, Environmental and Rural Sciences (IBERS) (University of Aberystwyth)</li> <li>Roslin Institute (part of the University of Edinburgh)</li> </ul>
<b>ESRC</b>	Social sciences	None
<b>EPSRC</b>	Physical sciences and engineering	None
<b>MRC</b>	Human health	<ul style="list-style-type: none"> <li>National Institute for Medical Research (NIMR), including the Biomedical NMR Centre (transitioning to the Francis Crick Institute in 2015)</li> <li>Laboratory of Molecular Biology (LMB)</li> <li>Clinical Sciences Centre (CSC)</li> <li>18 Units<sup>7</sup></li> </ul>
<b>NERC</b>	Environmental and related sciences	<p>Four directly owned:</p> <ul style="list-style-type: none"> <li>British Antarctic Survey (BAS)</li> <li>British Geological Survey (BGS)</li> <li>Centre for Ecology &amp; Hydrology (CEH)</li> <li>National Oceanography Centre (NOC)</li> </ul> <p>Two collaborative, contracted to universities:</p> <ul style="list-style-type: none"> <li>National Centre for Atmospheric Sciences (NCAS)</li> <li>National Centre for Earth Observation (NCEO)</li> </ul>

<sup>7</sup> MRC units are set up to meet specific needs or to tackle important research questions where the need cannot easily be addressed through grant funding. They comprise of a cohesive set of broad-based research programmes led by well-established principal investigators, overseen by a director. Units are fully-funded by the MRC.

Table 1: Research Council remit		
Research Council	Covers	Institutes
		<p>Two CLGs, privatised in 2002, where NERC still has staff on secondment:</p> <ul style="list-style-type: none"> <li>• Plymouth Marine Laboratory (PML)</li> <li>• Scottish Association for Marine Sciences (SAMS)</li> </ul>
<b>STFC</b>	<p>Funding of university based research in Astronomy, Particle Physics and Nuclear Physics</p> <p>Access to scientific, technology and engineering facilities in the UK:</p> <ul style="list-style-type: none"> <li>• Rutherford Appleton Laboratory</li> <li>• Daresbury Laboratory</li> <li>• UK Astronomy Technology Centre</li> <li>• Chilbolton Observatory</li> <li>• JAC Hawaii</li> <li>• ING La Palma</li> </ul> <p>Operation of two national Research and Innovation campuses at Harwell Oxford and Sci-Tech Daresbury</p> <p>Access to international research establishments such as CERN, ESO, ILL, ESRF</p> <p>(Note: the STFC administrative HQ and other specialist support functions are located in Swindon)</p>	<p>Diamond Light Source (ownership of DLS is split 86% STFC and 14% Wellcome Trust)</p>

## Royal Charter Objectives and the functions of the Research Councils

**72.** Each of the Research Councils is established under Royal Charter. The individual Charters set out the objectives for that Council. There are three core objectives for all seven Councils, the first of which can broadly be understood as the responsibility for research itself, the second as ‘exploitation’ in the broadest sense and the third as engagement (Box 7):

### Box 7: Royal Charter Objectives

1. to promote and support by any means, including providing facilities and technical expertise, high-quality basic, strategic and applied research and related postgraduate training;
2. to advance knowledge, understanding and technology and provide trained researchers who meet the needs of their users and beneficiaries, and thereby to contribute to the economic competitiveness of the United Kingdom and effectiveness of public services and policy, and to enhance the quality of life and creative output of the nation;
3. in relation to these activities, to: (i) generate public awareness; (ii) communicate research outcomes; (iii) encourage public engagement and dialogue; (iv) disseminate knowledge; and (v) provide advice.

**73.** While all seven Research Councils are united in operating to achieve the three Royal Charter objectives noted above, individual Research Councils’ Royal Charters place greater emphasis on different aspects of the three general objectives relevant to the role of the individual Council and the sectors with which they work.

**74.** In addition, each Research Council has its own individual delivery plan tailored more specifically to maximising value from their particular areas of research<sup>8</sup>.

**75.** RCUK’s Delivery Plan<sup>9</sup> seeks to:

- Exercise national leadership of the research base, through the development and implementation of collective policies;
- Form effective partnerships with other organisations for delivery against national priorities;
- Support the delivery of the research base as a whole.

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<sup>8</sup> The current delivery plans of each of the Research Councils can be accessed at:

[Arts and Humanities Research Council](#); [Biotechnology and Biological Sciences Research Council](#); [Engineering and Physical Sciences Research Council](#); [Economic and Social Research Council](#); [Medical Research Council](#); [Natural Environment Research Council](#); [Science and Technology Facilities Council](#)

<sup>9</sup> See : [http://www.rcuk.ac.uk/documents/documents/RCUK\\_delivery\\_plan\\_2011\\_15.pdf](http://www.rcuk.ac.uk/documents/documents/RCUK_delivery_plan_2011_15.pdf)

## Collective activities of the Research Councils

**76.** Research Councils carry out a wide range of activities, including:

- Defining strategic priorities in research, training and facilities
- Allocating research funding to universities and other organisations on a highly selective basis, based on peer review (see Box 8)<sup>10</sup>;
- Funding both curiosity-led and challenge-led research within and across disciplinary boundaries;
- Investing in strategic research and national capability;
- Providing funding and access to research facilities in the UK and overseas;
- Supporting knowledge exchange and forging partnerships with business, government and civil society;
- Supporting the training and development of researchers across all career stages for the benefit of research communities and the wider economy;
- Engaging the public in the research that Research Councils fund.
- Establishing international links to support research and UK PLC.

**77.** Not all the Research Councils will carry out all of these activities, e.g. STFC is quite different in type from the other six Research Councils because it is responsible for maintaining large scale research facilities that are used by all seven Research Councils, as well as funding specific research projects and providing access to international facilities.

### Box 8: What is Peer Review?

The Research Councils fund research on a competitive basis using independent expert peer review. This system is regarded as an international benchmark of excellence in research funding, and this provides a guarantee of the quality of UK research.

In peer review, proposals for research funding are considered and assessed for scientific quality by a number of senior academics or "peers". In addition, assessments are provided by research users from business, government and the third sector, from the UK and overseas, who work within areas related to the subject matter of the research. This assessment or "review" provides the basis of the funding decision.

## International Comparisons

**78.** No other country's research system is directly comparable to the UK. In any individual country, the organisation of the research system will depend on a range of factors, including the balance of governmental functions at local/regional/national level as

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<sup>10</sup> Text taken from <http://www.rcuk.ac.uk/research/Pages/PeerReview.aspx>

well as historical development of their scientific and research tradition. Therefore, although there are some similarities between the way research is conducted in developed nations, the institutional frameworks are different.

**79.** We have briefly outlined below the institutional frameworks of the USA, Germany, France, China and Japan.

### **The USA**

**80.** Although sometimes held up as a country in which there is only one grant giving institution, the USA's system is in fact characterised by a complex plurality of institutions. A sample of the various funding agencies that provide science funding to the US research base are: NIH, NSF, OSTP DOE, NASA, NOAA, USDA, NIST, DOD, USGS, and DOI, to name a few, in addition to major charities such as the Bill and Melinda Gates Foundation. Two of the best known, which also receive the highest funding, are the NSF (National Science Foundation) and NIH (National Institutes of Health).

**81.** Basic research accounts for around 18% of all research, the majority of which is funded by the federal government and performed in universities. Applied research comprises around 20% of research and technological development makes up the remaining 60%.

**82.** Generally, public funding is allocated in response to competitive solicitation. The federal government loosely and broadly sets national priorities, for example by the weighting of funding in the budget. It does not, however, specify in any great detail, although federal funding does usually come with some degree of direction or specification, and the diverse nature of the research bodies means that some are more aligned to government programmes or priorities. Some funds are earmarked by Congress to fund specific local projects, and some are allocated as tax credits.

**83.** Examples of this variation are seen in the following examples. The USDA is used to fund services that are required by law, such as crop insurance or farm commodity programmes. There are several bodies (for example the OSTP, USGS) that have an advisory functions both in setting the direction of future research and for policy makers. Several research bodies make engaging at a local level a priority (for example, the DOE), and various research bodies also engage with the general public.

### **Germany**

**84.** The German system receives guidance from the BMBF, the Federal Ministry of Education and Research. The majority of funding comes from the public sphere, from both state and federal sources. The German system is able to incorporate the project-based research funding that the DFG offers, thus performing a similar function to the Research Councils. A more fragmented system of regional funding through the Länder also exists

**85.** Of the federal funding, around 50% is spent on generally thematic project funding, which companies, institutes, networks, universities and individual professors compete for. These projects also usually support cooperation between the public and private sector, research and higher education institutions and companies. Around 42% of the federal budget is allocated to research institutes, 2% to universities and the remaining 7% to subsidise international scientific organisations and intergovernmental organisations.



**86.** More applied research is provided by the public research institutes. Germany is unusual among the OECD countries in the importance that it continues to place upon public research institutes.

**87.** The research that the DFG funds is broadly aligned to government priorities, but a dominant characteristic of the DFG is its bottom up, peer-review approach. The DFG, like RCUK, also covers a range of sector interests and facilitates translation of research and engagement with industry. The system allows the government to address specific problems – such as a skills shortage in the private sector – and to boost Germany’s international competitiveness. The level of intervention of the German government would not align with Haldane.

## France

**88.** The French system is traditionally the most similar to that of the UK but is currently undergoing a lot of change and, as a result, its structure is moving away from that of the UK. A key difference is the greater degree of top-down strategy and prioritisation is established by the Research Alliances and government. In the UK, many of the RCIs are moving out of Research Council control.

**89.** The ANR (National Research Agency) currently manages the funding of research which is undertaken by Public Research Organisations (PROs), as well as funding industry. PROs, such as the National Centre for Scientific Research (CNRS) and the National Institute for Health and Medical Research (INRA), also cover a similar remit to the Research Councils, while other PROs are more industrial or commercial in nature, such as the Agency for Environment and Energy Management (ADEME). Historically, the French research system is based on a dualism between universities and PROs, although the borders are becoming increasingly opaque.

**90.** Generally, the PROs are divided into similar subject areas as the UK’s Research Councils. Similarly to the UK, too, is the allocation of approximately 15 per cent of the funding budget to cross-cutting themes. However, PROs are not funding organisations as they receive core funds to undertake top-down orientated work and do not disburse funds in the form of grants. They can therefore be compared more accurately to the UK’s RCIs.

**91.** The French system also places a strong emphasis upon regional linkages or clusters of universities, industry, and research laboratories, acting in a similar way to the UK’s catapult centres. Carnot Centres foster partnerships between the public and private sectors.

## China and Japan

**92.** The research systems in these countries are very different to that of the UK. They are generally heavily directed by the government at the highest level – in China, the Ministry of Science and Technology, the National Natural Science Foundation and Ministry of Education, and in Japan, the Cabinet Office, through the Council for Science and Technology Policy, and the Ministry of Education. Science, Sport and Technology (MEXT). Both China and Japan’s research systems are strongly focused towards industry, science and technology.



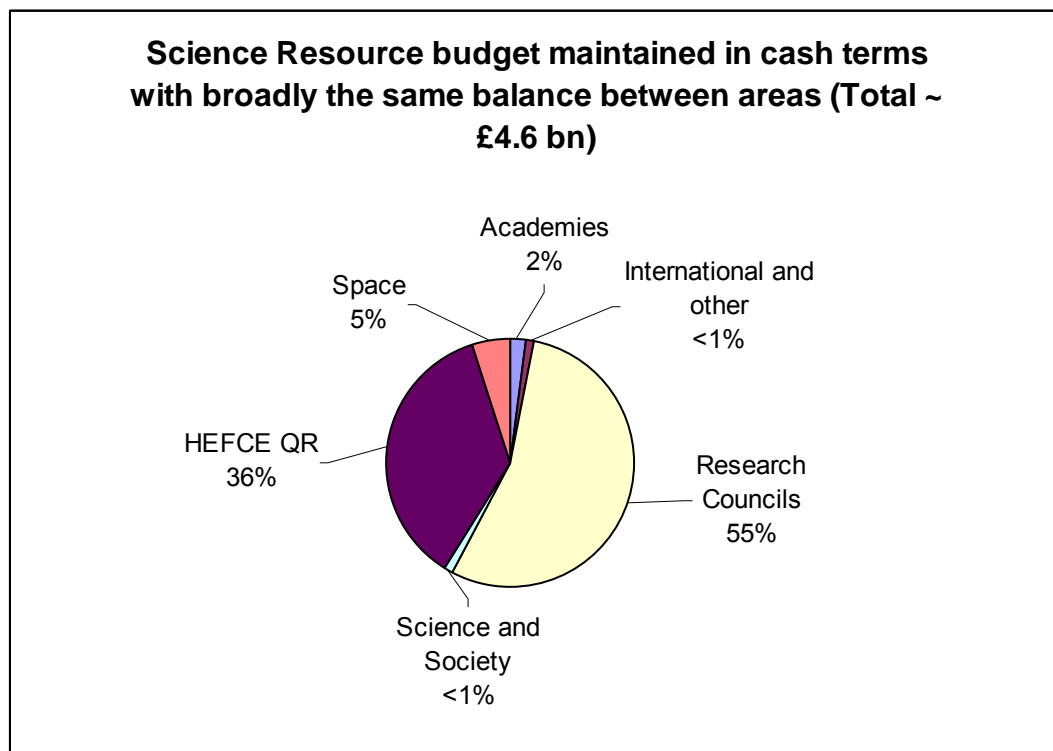
## Conclusions

**93.** There is no single way to structure the institutions that fund research. Systems vary not only in terms of the breadth and organisation of their funding mechanisms (though no major country appears to only have one), but also in the degree of direction given by government.

## Research Council funding

**94.** The primary means by which the Research Councils achieve their functions is to award funding for research. Research Council funding is one of two complementary funding streams, referred to as '**dual support**' (Box 9). Research Council funding and funding from the Funding Councils are the main channels of public funding for the UK Research Base (Figure 2). This delivers funding for the research infrastructure, including staff and facilities as well as funding for specific research projects.

**Figure 2: Research Council resource funding as a proportion of the Science and Research Budget<sup>11</sup>**



<sup>11</sup> NB: Funding is also provided by the devolved administrations' equivalent bodies to HEFCE

## Box 9: Dual Support Funding

**Block grants** to universities are funded by the Higher Education Funding Council for England (HEFCE), and by its sister organisations in the devolved administrations. These grants are made to Higher Education Institutions primarily informed by periodic peer review of their past performance. Institutions can use this research funding in whatever way they wish. HEFCE and the block grants are outside the scope of this review. However, we sought views on how well Research Council funding works alongside block grants.

**Research grants** are made by the Research Councils to eligible organisations for individual researchers or teams based on proposals submitted by researchers which are subject to peer review. There are a number of ways in which researchers may seek funding:

- *Directed mode* – this covers proposals for funding in defined areas, generally cross-RC programmes<sup>12</sup> within a framework of Government strategic challenges or priorities set by the Research Councils;
- *Responsive (or open) mode* – this covers proposals for funding in all areas within a Council's remit, much of which will be outside a named challenge.

As well as researchers, Research Councils also provide funding for:

- Innovation and partnerships with industry including campuses, developmental pathway funding
- Research institutes – e.g. the Laboratory of Molecular Biology;
- International subscriptions, such as CERN;
- PhD studentships and research fellowships;
- Large facilities, such as the Diamond Light Synchrotron; and
- Knowledge exchange.

Research is often funded in partnership (delivering leverage) and can be located at more than one institution.

Some Research Councils also provide block grants to universities (e.g. Doctoral Training Grants) aimed at enabling flexibility of delivery of specific programmes of training or research within overall objectives.

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<sup>12</sup> The current priority themes are: Digital Economy; Nanotechnology; Energy; Living With Environmental Change; Global Security; An Ageing Population

**Table 2: Funding by Research Council and breakdown of spend**

Category	AHRC	BBSRC	EPSRC	ESRC	MRC	NERC	STFC	Total
Research	£54.9m	£408.0m	£536.2m	£134.1m	£309.9m	£146.2m	£117.8m	<b>£1,698m</b>
Postgrad	£46.3m	£63.7m	£241.3m	£60.9m	£86.0m	£23.6m	£23.9m	<b>£555m</b>
Subscriptions	£0m	£0m	£0.9m	£0.0m	£18.3m	£4.7m	£154.8m	<b>£173m</b>
Other	£3.5m	£17.8m	£52.3m	£11.6m	£207.3m	£94.5m	£89.7m	<b>£482m</b>
Financial	£0.3m	£25.3m	£0.7m	£0.4m	£47.5m	£30.5m	£95.9m	<b>£201m</b>
Staff	£3.7m	£27.6m	£12.3m	£5.7m	£158.3m	£114.6m	£87.8m	<b>£410m</b>
<b>Total</b>	<b>£108.8m</b>	<b>£542.5m</b>	<b>£843.7m</b>	<b>£212.6m</b>	<b>£827.3m</b>	<b>£414.1m</b>	<b>£569.9m</b>	<b>£3,519m</b>

(a) Note that these are broad categories, including spending in institutes.

(b) 'Financial' consists of impairments, depreciation, amortisation and joint ventures.

(c) 'Staff' includes research and policy staff, and does not represent admin cost (which are provided in the next table).

**95.** The administration spend and RCI spend of Research Councils included within Table 2 are set out below in Table 3:

**Table 3: Admin and RCI spend**

Category	AHRC	BBSRC	EPSRC	ESRC	MRC	NERC	STFC	Total	% of spend
Admin <sup>13</sup>	£5.8m	£22.6m	£13.2m	£5.4m	£40.1m	£23.7m	£19.6m	£130.4m	3.71%
RCIs	n/a	£215.8m <sup>14</sup>	n/a	n/a	£354.6m <sup>15</sup>	£152.6m <sup>16</sup>	n/a	£723m	20.54%

Note that STFC are treated as having RCIs for the purposes of this Review, but their structures mean that the Institute spend cannot be identified in the same way as it can for the other Councils.

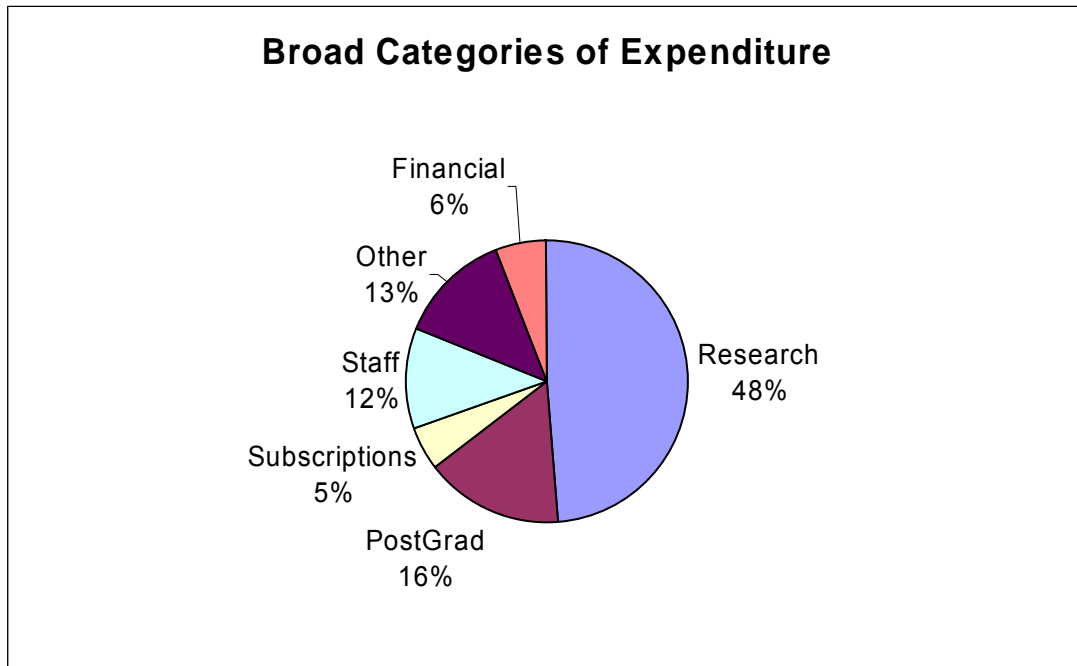
<sup>13</sup> Figures in £M from 2011/12 Allocations Booklet/individual Council allocation letters

<sup>14</sup> Source – BBSRC 2011-12 Annual Report page 10

<sup>15</sup> Source – MRC 2011-12 Annual Report page 16

<sup>16</sup> Source – NERC 2011-12 Annual Report page 65

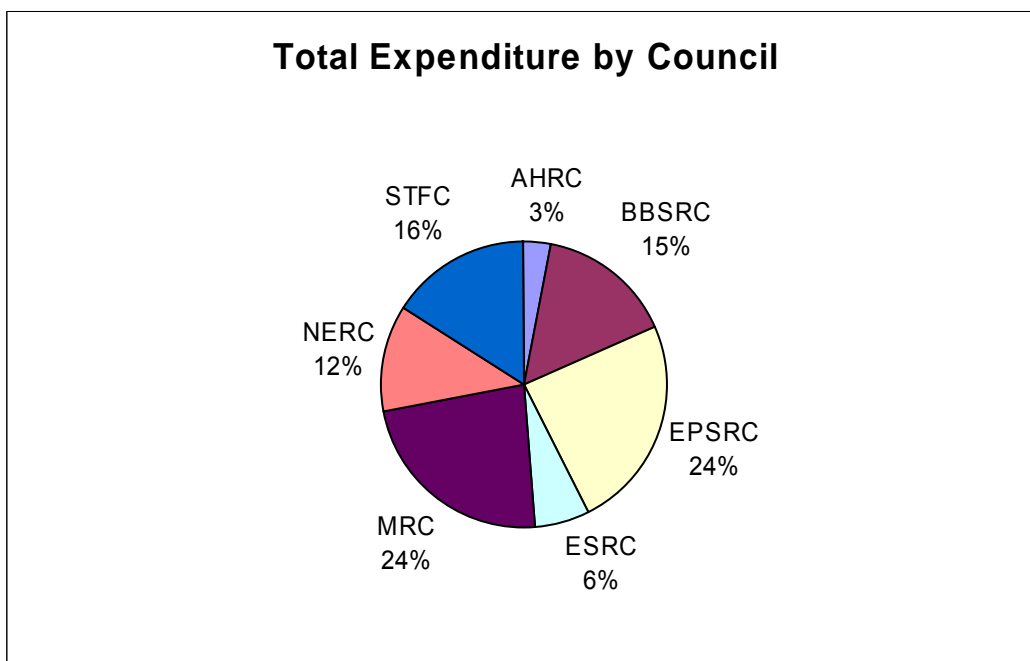
**Figure 3: Expenditure by category**



**96.** Given the different structures and models of units, RCIs and other facilities, these are not directly reflected in the figures above, instead making up part of the other budgets (mostly the Staff and Other budgets). Broadly speaking, units, RCIs and other facilities account for around 20% of the total Research Council spend.

**97.** Government funding for the Research Base is decided as part of the routine Spending Review process. BIS decides the split in funding between individual Research Councils. Research Council funding will also be supplemented by earned income.

**Figure 4: Expenditure by Research Council**



**98.** The Research Councils decide what proportion of their funding goes on directed and responsive mode.

**99. Directed mode** funding refers to funding that is directed to a particular challenge or theme. In recent years, 19% of the Research Councils' spend has been directed towards six cross-Council themes, agreed between the Research Councils and government to respond to emerging societal issues which may not be predictable and where urgency may be affected by levels of public (including government) concern (Table 4). Research Councils may also issue directed model calls to respond to other issues, with recent examples including research on swine flu and ash die-back.

**100.** Historically, themes have been reviewed at each Spending Review. They intersect with the "grand challenge" areas identified by government, the European Commission and World Economic Forum. In the current period, the planned spend on themes is 22% of the total Research Council budget. The level of funding is not set in stone but rather is reviewed and adjusted depending on need and priority.

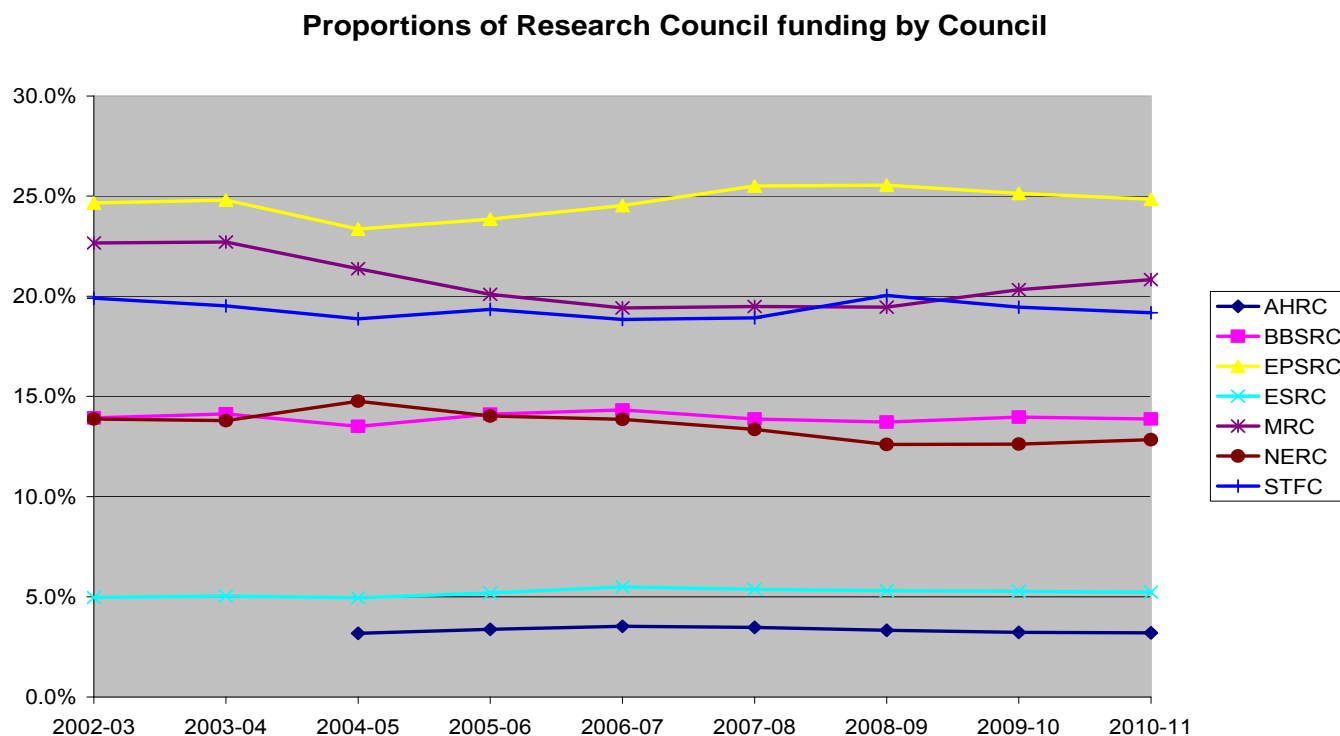
**Table 4: Priority themes and % of Research Councils' budget earmarked\***

<b>Digital Economy</b>	1.2
<b>Global uncertainties</b>	1.2
<b>Energy</b>	5.2
<b>Living With Environmental Change</b>	5.4
<b>Global Food Security</b>	4.2
<b>Lifelong health and wellbeing</b>	1.9

*\*Research Councils may – and do – spend more than their earmarked funds on research in these areas*

**101. Responsive mode** refers to funding for projects that may address any research problem within a discipline or across disciplines. The responsive mode process runs throughout the year. Research Councils will allocate a sum of money for this based on various strategic considerations, previous experience and the expected levels of demand and success. It is not inevitable, however, that more funding and a higher success rate automatically results in more excellent research: the Research Councils have informed us that they aim to manage demand by keeping the success rate above 20%, so as to ensure a high degree of competition with the very best being funded but without causing applicants to become so discouraged that they see no point in submitting proposals.

**102.** Which particular research programmes and individual researchers are then funded (either through responsive or directed mode) is determined by peer review. This reflects the Haldane principle that decisions on individual research proposals are best taken by the Councils themselves, free from Ministerial influence.

**Figure 5. Distribution of funding by time**

**103.** As can be seen by the table above, the proportions of funding by Research Council<sup>17</sup> have not changed significantly over the last decade, although what individual Research Councils fund has changed over this time period. Looked at on a year-by-year basis, there have been shifts at times, notably in the share of spending going to the two largest Research Councils, EPSRC and the MRC, but these have typically been reversed in part or in full a few years later. Overall, the proportions of funding by Research Council were almost exactly the same in 2011 as they were in 2002.

**104.** Whilst there is a need for long-term certainty in research, meaning that sudden dramatic shifts were unexpected, it has not always been evident that the balance between disciplines had been explicitly considered outside of historical considerations. Prior to the last Spending Review allocation, BIS formally consulted on the balance of funding. The majority of those responding held a clear view that the balance continued to be appropriate.

## Analysis of the functions of Research Councils

**105.** The core functions are determined by the Royal Charter objectives. The majority of respondents felt that the activities of the Research Councils were broadly well aligned to the Royal Charter objectives, as discussed above and set out again below in Box 10 for ease of reference.

<sup>17</sup> 'STFC' refers to STFC and its two predecessor organisations.

### Box 10: Royal Charter Objectives

1. to promote and support by any means, including providing facilities and technical expertise, high-quality basic, strategic and applied research and related postgraduate training;
2. to advance knowledge, understanding and technology and provide trained researchers who meet the needs of their users and beneficiaries, and thereby to contribute to the economic competitiveness of the United Kingdom and effectiveness of public services and policy, and to enhance the quality of life and creative output of the nation;
3. in relation to these activities, to: (i) generate public awareness; (ii) communicate research outcomes; (iii) encourage public engagement and dialogue; (iv) disseminate knowledge; and (v) provide advice.

**106.** 60% of written submissions responded to the question, “How well aligned are the Research Council's priorities with the Royal Charter objectives?” Of these:

- 74% thought the Research Council priorities were either aligned or well aligned with the Royal Charter objectives;
- Another 23% thought they were broadly aligned but suggested some areas of improvement or commented on the balance between them.
- 3% thought the priorities were not aligned.

### Interaction between the functions

**107.** The Research Councils achieve their functions through a variety of routes, including:

- Grants to researchers, which may either be responsive mode or as part of a strategic programme, and may be either ‘blue-skies’ or more applied;
- Funding post-graduate studentships;
- Funding institutes or campuses (for some Research Councils);
- Funding to secure access to large scale research facilities both in the UK and overseas
- Direct spending on programmes to promote greater knowledge transfer;
- Direct spending on communications programmes.

**108.** These activities do not map cleanly on to the functions: in most cases, each activity will support more than one of the three functions. In particular, although the largest proportion of funding is typically spent in grants to researchers, it is not the case that this funding only supports the first function (supporting research). All three functions are typically embedded within the grant giving process: all Research Councils ask for (i) an

impact summary describing who might benefit from the research and how; (ii) a plan describing how the researchers will ensure that the research outcomes have impact (something which responses suggest has had a significant impact on researchers) and researchers across the Councils are similarly expected to spend time on communications and public awareness activities. Similarly, doctoral students (function two), will also produce research (function one) and are likely to contribute to communications (function three) either by outreach or through teaching.

**109.** This is one reason why, although it is true that other bodies in both the private and third sectors can and do carry out some of the functions of the Research Councils in parallel, this does not obviate the need for the Research Councils to also have those functions. If the Research Councils gave out grants without ever considering the impact of that research or how and whether the researchers should communicate their results, this would be likely to lead to a misallocation of resources.

**110.** One possibility would be to have the Research Councils to act purely as research funders, with no separate budgets for the second or third functions. However, this would lack flexibility. Research Councils are well placed to unlock impact of research they fund, or to communicate about it and should be able focus on outcomes, not inputs, using whichever tools required. A strict focus on research funding might also make it harder to have a clear, coherent strategy for building and maintaining disciplines.

**111.** The synergies between the three functions are central to the Research Councils' strategic oversight of the research disciplines for which they are responsible. The reality is that the UK demands excellent quality research, significant impact and communications and engagement from its research base, and the bodies best placed to deliver this appear to be the Research Councils. We therefore consider it appropriate that the Research Councils continue to provide all three functions, and to do so through a range of mechanisms.

### Balance between functions

**112.** The core functions of the Research Councils are intertwined, with the effectiveness of each partly driven by delivery of the others. However a number of respondents commented on the balance between the three and some of these respondents felt that the Research Councils appeared to place the greater emphasis on delivering the first of their Royal Charter objectives.<sup>18</sup>

**113.** The Wellcome Trust, for example suggested that the constrained financial conditions of the Research Councils had led to a focus on the first Royal Charter objective, and that the 2<sup>nd</sup> and 3<sup>rd</sup> had been treated as secondary. This echoed interviews and roundtables, where many treated the first objective as implicitly the most important. Several stakeholders raised concerns around engagement and awareness being relatively weak. Some respondents believed Councils could do more on competitiveness, while others felt this was over-valued, or best delivered indirectly, through simply ensuring good blue-sky research and training. While some highlighted PhD provision as a strength, some business stakeholders felt training could be stronger. Some higher education institutes

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<sup>18</sup> "To promote and support by any means, including providing facilities and technical expertise, high-quality basic, strategic and applied research and related postgraduate training."



also raised a concern that Doctoral Training Centres are inflexible, whilst other respondents warmly welcomed them as helping to build critical mass.

**114.** Whilst recognising that the division between the functions is not always clear cut, it was not clear, from the responses received, that there was an explicit balancing of the relative weighting of the functions and how they should be prioritised. Metrics do not exist for us to determine whether those who saw a favouring of one over another were right. This was of concern to us.

## Impact

**115.** The impact of the Research Councils relates primarily to the second of their Royal Charter objects, and refers to their contribution to economic competitiveness, to government policy, to health, social and cultural outcomes and to the supply of skilled people to the UK labour force.

**116.** Over the past 6-7 years, there has been an increasing focus on the impact of research, reflected both in policy and Ministerial statements by government and in the business plans and policy documents of the Research Councils themselves, as well as by impact being included as a factor in the Research Excellence Framework, which determines HEFCE block-grant allocations. Operationally, the Research Councils have sought to deliver the renewed focus on impact in a number of ways: all Councils require researchers to produce (i) an impact summary describing who might benefit from the research and how; (ii) a plan describing how the researchers will ensure that the research outcomes have impact and this is therefore a factor in determining whether a grant will be awarded.

**117.** The cross-cutting themes are an example of where the Research Councils have prioritised funding research in areas that are of significance to the country and likely to have impact. The Research Councils have also dramatically increased co-funding with the TSB, surpassing by over 25% their target of £130m in the last spending review period and spending £40.1m in the first year of this spending review period. This increased focus has been controversial amongst the research community at large: a significant minority of respondents to the call for evidence, particularly those from the research community, considered that an over-focus on impact was distorting the UK research effort. However, other respondents considered that there was still not enough focus on impact, and that this should be prioritised further.

**118.** The process of achieving impact from the work of the Research Councils is not a simple one. There is no simplistic impact chain of 'academic does some research > it is translated by the TSB > a business exploits it to create profits'. Rather, the process is multifaceted, non-linear and complex, with the process varying between Research Councils and between individual researchers. Box 11 gives examples of types of impact that have resulted from STFC's research; similar lists could be drawn up from the Impact Reports of the other Research Councils.

### Box 11: Examples of STFC impact

- STFC has helped train 250,000 European microelectronics experts; providing the design infrastructure for the £23bn UK microelectronics sector that underpins strategically important industries worth £78bn to the UK economy.
- Knowledge exchange between STFC's Accelerator Science and Technology Centre and UK company Shakespeare Engineeringx has allowed the company to initiate its own industrial R&D programme and to expand its business, creating new high-value UK jobs. This has given the company access to a technology market worth £2bn.
- Knowledge arising from STFC's research was a key enabler for MRI machines, a significant sector to the UK economy, supporting over 2,200 jobs and contributing £111m per year.
- UK companies e2v and Oxford Instruments were able to achieve £600m in sales through long term technical collaborations with STFC.
- 15 of the world's best-selling drugs were discovered and developed in Britain a technique pioneered by STFC and which is used by industry to develop new drugs e.g. for HIV, cancer, Alzheimer's disease, Motor Neurone Disease, Parkinson's disease and Swine Flu.
- STFC facilities improve commercial products and processes e.g. Rolls Royce & Airbus developing planes, testing biosensors for meningitis detection, helping Schlumberger in oil drilling, improving Siemens MRI products, licensing space cooler design to EADS Astrium.
- Since 2006, 10 spin-outs have arisen from university research funded by STFC, employing up to 66 people.
- STFC spin-out Cobalt Light Systems has pioneered a technique which detects illegal or counterfeit drugs. More than 10% of global medicines are counterfeit, putting patients at risk and undermining revenues of the drug companies; with estimated lost earnings in 2003 exceeding £20bn.
- In 2012 Element Six, world-leaders in synthetic diamond supermaterials, selected the Harwell Oxford Campus as the best place in the world to locate their new innovation centre. A division of De Beers, Element Six are investing £20 million to create the world's largest and most sophisticated synthetic supermaterials R&D facility.

**119.** A strong majority of respondents to the call for evidence agreed that the excellent international reputation of UK research output, and of the UK's higher education institutions, was instrumental in the UK's ability to attract top international human talent. Access to world class research was also frequently mentioned by industry participants in stakeholder events as a critical factor in determining whether or not to invest in or site R&D facilities in the UK and it was clear that many businesses were working productively with the Research Councils. Many respondents also spoke of the importance of the third function of the Research Councils, both in terms of provide useful and measured comment on particular issues, such as the re-opening of the GM debate, nanotechnology or the

Icelandic volcanic ash cloud, or in driving public interest in science as a whole, something which can be critical in maintaining the future pipeline of research skills and researchers, by encouraging children to pursue education and careers in research disciplines.

**120.** Nevertheless, although the anecdotal evidence supporting the impact of research was strong (Box 12), it was difficult to determine definitively overall what impact the Research Councils are having. The management information available did not allow the review team to draw clear conclusions on which activities associated with the Research Councils deliver which areas of success. It was similarly difficult to establish whether matters are improving or deteriorating, or whether some Research Councils or disciplines perform better than others.

**121.** One difficulty is that most metrics are either anecdotal, unrepresentative of the broader impact (for example number of patents or spinouts) or too broad to be of use in year-to-year performance management of the Councils. Often it is also not certain what resulted in the outcomes or to whom the benefits accrue and to what extent they are captured in the UK.

#### Box 12: Impact of Research – metrics

Through their investment in research and training, the Research Councils currently cite the following benefits:

- Research which is the second best in the world (measured by citations) and the best in the world (measured by productivity);
- 5,500 PhD graduates into the economy annually, over half employed outside HE;
- Collaboration in research with over 2,500 companies;
- Research Council investment in research contributes 2-4% of UK GDP.<sup>19</sup>
- There is a broad consensus that the rate of return from investment in research is between 20-50% per annum.<sup>20</sup>

**122.** There is strong evidence of the link between research and both GDP and rates of return from investment in research. However, it is difficult to determine exactly what part the Research Councils have played in delivering these results, and whether similar returns could be achieved through another delivery mechanism.

**123.** In the context of the Triennial Review, it is not clear which activities associated with the Research Councils deliver these areas of success. It was similarly difficult to establish

<sup>19</sup> 'Research for our future' analysis of Haskel and Wallis (2010) 'Public Support for Innovation, Intangible Investment and Productivity Growth in the UK Market Sector', Imperial College London  
<http://www.rcuk.ac.uk/documents/publications/researchforourfuture.pdf>

<sup>20</sup> BIS Economics Report for the Innovation and Research Strategy.  
<http://www.bis.gov.uk/assets/biscore/innovation/docs/e/11-1386-economics-innovation-and-research-strategy-for-growth.pdf>

whether matters are improving or deteriorating, or whether some Research Councils or disciplines perform better than others.

**124.** A further difficulty relates to the lack of explicit clarity as to the balance between the Research Councils' objectives. Although the Research Councils' delivery plans set out high level strategic goals on impact, it is difficult to quantitatively determine what 'good' would look like and, therefore, to determine the degree to which each Research Council is meeting its goals on impact. The difficulties compound when trying to compare activities or outcomes across the Research Councils.

**125.** While we recognise the difficulties of doing so, given the serendipitous nature of some research and the long time horizons, we therefore believe more should be done, within and across the Research Councils, both to clarify what success would look like in the area of impact and to monitor how and whether it is being achieved. This should be done in a way that allows meaningful comparisons to be made both across time and across Councils and disciplines, in a way that would allow for meaningful strategic level performance management of the Research Councils.

**126.** This identification of success criteria could also benefit from explicit consideration of the relative opportunity costs of different choices. For instance, some areas of research are inherently more expensive in input terms than others. Although it is often impossible *ex-ante* to be clear about the different impacts of different research projects, the review team believes there may be merit in examining whether allocation decisions could better take account of the unit cost of research and link the cost of inputs more clearly to the potential value of outcomes.

## Dissemination and communication

**127.** Respondents broadly considered that this was an area that had shown improvement over recent years, though some also felt that more could be done.

**128.** Comments included that Research Councils were good at working with government but less so with devolved administrations, third sector and business, with some suggesting that while larger companies were able to capitalise on the research base, SMEs were not able to and unsure how to do so. Accessibility of the research base to policy makers was not commented on in detail. There was a suggestion that more could be done to synthesise research outputs and to reduce inconsistency across projects. There was a comment that engagement can tend to be "push" focussed rather than two-way dialogue. There was also a call for Research Councils to be clear and consistent about the extent to which communication is considered a necessary part of research and to demonstrate this through actions – e.g. funding and requirements to receive funding, factors for promotion of researchers. However, others from all sectors considered that they themselves could communicate well with the Research Councils.

**129.** Respondents stressed the need for dissemination and communication to work between multiple communities rather than just between them and the customer or end user. This could be industry, the general public or some other organisation. As a result, some respondents suggested that absolutely cohesive communication is an unrealistic aim for the Research Councils. It was noted that there was considerable variation between Research Councils in terms of the encouragement and funding provided for the academic community to exploit and apply knowledge generated from their research.

**130.** We consider that the difficulties around clarity of objectives and success criteria around the Royal Charter objectives, discussed above, make it difficult to determine the success of the Research Councils in this area.

**Recommendation 1.1: The Research Councils should explicitly consider the relative balance of activities and resource that should be devoted to each of their Royal Charter objectives, and agree with BIS a performance management framework that includes a clear picture of success, including quantitative metrics that would allow an evaluation of whether success had been achieved.**

### Alignment between Research Council and government objectives

**131.** It has been historically accepted, and supported by the great majority of respondents to the consultation, that the functions of the Research Councils should be carried out at arm's length from government. The justification for this has historically been framed in terms of the Haldane Principle (Box 13).

#### Box 13: The Haldane Principle

In a statement to Parliament in December 2010, the Minister for Universities and Science, the Rt Hon David Willets MP, expressed the Haldane Principle as follows:

*“The Haldane principle means that decisions on individual research proposals are best taken by researchers themselves through peer review. This involves evaluating the quality, excellence and likely impact of science and research programmes. Prioritisation of an individual research council's spending within its allocation is not a decision for Ministers.”*

**132.** There are a number of reasons as to why the Haldane Principle has, for almost a century, lain at the heart of the UK research system. First, it simply reflects the reality that other researchers are better placed to assess the quality of research programmes than civil servants or politicians would be. Second, independence from Ministers means independence from political interference: decisions are made – and are seen to be made – based on the excellence of the research in question, rather than on political considerations such as location or type of institution. Third, research is a long-term endeavour: individual research programmes may easily span five years or more (much more, in cases such as particle physics, longitudinal population studies in the social sciences or plant sciences) whilst to train a new cadre of researchers to PhD level will take at least seven years. As such, a degree of long-term stability is desirable, something which an arms-length relationship with the political process can facilitate.

**133.** It should be noted, however, that the Haldane Principle does not simply say that decisions should be made entirely in isolation from government. Whilst individual decisions on funding should be made by the other researchers, there is a role for government in setting out the large-scale, strategic direction of the research priorities of the nation. As Mr Willets went on to say:

*“There are areas where Ministers should have no input: Ministers should not decide which individual projects should be funded nor which researchers should receive the money. This has been crucial to the international success of British science.*

*At the other end of the spectrum there are decisions that ultimately must be for Ministers, albeit informed by external advice; these include the overall size of the funding for science and research and its distribution between the research councils, the national academies and higher education research funding.*

*In addition, every government will have some key national strategic priorities such as addressing the challenges of an ageing population, energy supply or climate change. The research base has an important role to play in addressing such priorities and the research councils, with the support of independent advice, have proposed research programmes to tackle them. It is also appropriate for Ministers to ask research councils to consider how best they can contribute to these priorities, without crowding out other areas of their missions. But it is for the research councils to decide on the specific projects and people to fund within these priorities, free from Ministerial interference.”*

**134.** The functions of the Research Councils, therefore, should be carried out at sufficient arms-length from government to be free of Ministerial influence in individuals decisions, whilst sufficiently close to allow cooperation at a strategic level.

**135.** We asked respondents how closely Research Council research objectives are and should be aligned with government objectives. Responses were varied, both in their analysis of the facts and their positions on what is desirable. Most respondents believed that a balance was needed, with some alignment but significant independence under the Haldane Principle. The value of independence was most often expressed in terms of scientific timescales being longer than those individual Parliaments or Ministers, and the importance of avoiding political bias or control was also noted. Funders, academics and users alike emphasised that alignment should be at the ‘highest level’, and the importance of supporting avoiding ‘tinkering’ with long-term research was emphasised, including many business respondents. Some respondents also suggested that international comparisons showed that less independent systems are less strong.

**136.** The view of many respondents was that Research Councils do not really challenge the status quo in government and that interaction is not two-way, although some respondents felt that the current balance is right and others (including the MoD) gave examples of when Research Councils had influenced the strategic direction of government policy. Several respondents said that if Research Councils are successfully influencing strategic government priorities, they should make this clearer as there is a distinct impression that they do not do this.

**137.** Most who expressed a position suggested the current balance was broadly right, though some backed a much stronger emphasis on responsive, blue-skies research, rejecting both centrally driven research prioritisation whether by government or RCUK. The Royal Society echoed many others in their statement that ‘further overt alignment with government objectives is neither necessary nor desirable’. However, some Government departments did feel that it was important that the Research Councils engaged with government, in particular the growth agenda. Rather than involving more funding of government projects, this was seen in terms of having a clearer shared view and more



consciously identifying gaps in research, or by clearer communication of recent advances with government and business.

**Recommendation 1.2: The Research Councils and government Departments, led by BIS, should inject greater clarity into the process whereby the Research Councils interact with government to address matters of strategic importance and determine strategic priorities, with the aim of enabling the Research Councils to take on a stronger and more influential role in both responding to and proactively shaping the research agenda.**

## Partnership working

**138.** To maximise the impact of research on economic growth and societal wellbeing the Research Councils work in partnership with business, other research funders including the TSB, the UK Higher Education Funding Councils, universities, government, charitable and international organisations. These partnerships bring two advantages to the research output of the UK: a broader range of funding investments into the sector; and diversity in the expertise of researchers and other professionals accessing that funding.

**139.** In particular, the Research Councils works with a wide range of industry and also the TSB to gain return on investment in research for the benefit of the economy and society. Two or more Research Councils now work with the TSB on each innovation platform. These platforms target specific societal challenges where the UK Government is taking action to tackle the problem. The main ways in which the TSB and RCUK collaborate include:

- establishing collaborative research programmes;
- encouraging the sharing of knowledge between the research base and industry – through people, networks, seminars and other events;
- developing UK expertise and capacity in innovation research; and
- supporting rapid commercialisation of emerging technologies promoting business access to UK research facilities.

**140.** These collaborative partnerships aim to play a significant role in mobilising the benefits of research in a variety of ways, for example, through knowledge transfer partnerships, innovation and knowledge centres and collaborative research projects.<sup>21</sup>

**141.** Some respondents did feel that there were some areas where improvements to research funding mechanisms could be made, for example, through greater use of 'follow-on' funds and improved synergy with TSB to maximise translation of research outputs into

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<sup>21</sup><https://www.innovateuk.org/documents/1524978/1814792/Together+transforming+research+into+innovation+%28Archive%29/6e456d63-8506-4897-b61f-995d770d8257>

industrial applications. Others observed more flexible eligibility criteria in certain circumstances could allow the best expertise to be involved with grant bids, whether from an academic organisation or otherwise, such as communication experts from a charity supporting the engagement elements of a research bid.

**Recommendation 1.3: Given that the Royal Charter permits the Research Councils to support research by ‘any means’, the Research Councils should consider, in conjunction with BIS Research Base, greater partnership working provided that these partners meet the existing high criteria of excellence, peer review endorsement and open dissemination of results. Specifically, this should include: a review of grant eligibility criteria; greater joint working with the TSB and leverage of private sector funding.**

## Research Council Institutes

**142.** Research Council Institutes (RCIs)<sup>22</sup> are part of the machinery by which the Research Councils choose to deliver their objectives. A series of comprehensive and ambitious reviews of Research Council Institutes is being carried out in each of the Research Councils. This work is well underway and significant changes to the ownership and sponsorship arrangements have already been made; the overall number of Institutes owned or sponsored by the Research Councils has been reduced from 60 in 2006 to 35 in 2013, with further reductions planned. Because of this existing programme reform, we have not reviewed the individual Research Council Institutes (RCIs) in detail as to do so would have been duplicative and may have resulted in a delay to the significant progress which is already being made. We have, however, recommended (see recommendation 1.5) that the ongoing existing reviews of the RCIs, take into account the principles embedded in the Cabinet Office guidance on Triennial Reviews.

**143.** Table 5 (below) sets out in more detail the changes which have been made to the number of Institutes sponsored or owned by the individual Research Councils and the plans and timescales for future changes.

Table 5: Research Council Institutes				
Council	2006 <sup>23</sup>	2013	Plans and Timescales <sup>24</sup> for the Future	Summary
<b>BBSRC</b>	7 institutes directly sponsored.	1 institute with BBSRC as corporate trustee – The Pirbright Institute.	BBSRC intends to work with The Pirbright Institute so it too moves into the private sector. Currently over £200M of public funds is being invested into the Institute so this	Total reduced from 7 to 1 – with plan to move final one into private sector too.

<sup>22</sup> Research Council Institutes is being used as a generic term and covers all associated bodies of BBSRC, MRC, NERC and STFC.

<sup>23</sup> From The Costigan Review’ as at footnote 2

<sup>24</sup> where known



<b>Table 5: Research Council Institutes</b>				
<b>Council</b>	<b>2006<sup>23</sup></b>	<b>2013</b>	<b>Plans and Timescales<sup>24</sup> for the Future</b>	<b>Summary</b>
		All other Institutes either transferred to universities (Roslin and IBERS) or moved into private sector.	move is likely to take place after the delivery of that investment i.e. financial year 2015/16 at the earliest.	
<b>MRC</b>	3 institutes and 29 units.	3 institutes and 18 units (4 Units transferred on 1 June 2013).	<p><b>2013 / 2014</b> – Further 7 units are likely to transfer to universities.</p> <p>When The Francis Crick Institute (the Crick), opens <b>in 2015</b> the National Institute for Medical Research, the MRC's largest research institute, will close and the majority of NIMR staff and their research programmes will transfer, with formal transfer of employment to the Crick.</p>	Total reduced from 32 to 21, with further reductions planned over 2013-2015.
<b>NERC</b>	4 directly owned Research Centres.  14 Collaborative Centres at universities funded by contract (no ongoing liability)  Some ongoing	4 directly owned Research Centres.  (The number of UK sites occupied by directly owned Centres has also been reduced from 14 to 9).  2 Collaborative Centres at universities	<b>December 2013</b> – Review of benefits vs risks of alternative ownership models for NERC's remaining wholly-owned Research Centres. leading to a decision on retaining or divesting ownership   the review aims to balance control and responsiveness for effective delivery, and transparency in NERC decision-making with public sector constraints on financial and people	Overall total reduced from 20 to 6 <sup>26</sup> . Further reductions may follow from current review.

Table 5: Research Council Institutes				
Council	2006 <sup>23</sup>	2013	Plans and Timescales <sup>24</sup> for the Future	Summary
	liability for 2 Centres transferred to private sector as CLGs in 2002	funded by contract <sup>25</sup> .  Some ongoing liability for 2 Centres transferred to private sector as CLGs in 2002	management.	
<b>STFC</b>	(a) Diamond Light Source Ltd, which is a joint venture company funded by STFC (86%) and the Wellcome Trust (14%) located at STFC's Rutherford Appleton Laboratory (RAL). Run as part of Council for the Central Laboratory of Research Councils until formation of STFC  b) Joint Astronomy Centre (	Diamond Light Source  Strategic decision taken in 2012 by STFC to disengage from both the Joint Astronomy Centre and the Isaac Newton Group of telescopes.	In <b>September 2013</b> , one of the two telescopes at the Joint Astronomy Centre on Hawaii will cease operations , with the other ceasing operation in <b>September 2014</b> ,Both telescopes will be decommissioned.  In <b>2015</b> , STFC will transfer the ownership of its share of the three telescopes at the Isaac Newton Group on the Canary Islands to a new Spanish Foundation and will provide continued access to this facility for UK researchers via a new partnership arrangement.	1 institute (Joint Venture between STFC and Wellcome Trust).  Ownership and interests in overseas facilities reducing 2013-2015.

<sup>25</sup> NERC-owned Research Centres are: British Antarctic Survey (BAS); British Geological Survey (BGS); Centre for Ecology and Hydrology (CEH); National Oceanography Centre (NOC). Contracted-out Centres are: National Centre for Atmospheric Science (NCAS); National Centre for Earth Observation (NCEO). CLGs are: Plymouth Marine Laboratory (PML); Scottish Association for Marine Sciences (SAMS) (both contracted through NOC).

<sup>26</sup> with some ongoing liabilities for others

Table 5: Research Council Institutes				
Council	2006 <sup>23</sup>	2013	Plans and Timescales <sup>24</sup> for the Future	Summary
	Hawaii)  c) Isaac Newton Group of telescopes on the Canary Islands  Both (b) and (c) above were operated by PPARC until formation of STFC in 2007			

**144.** We believe, however, that, consistent with the spirit of the Triennial Review process, the Research Councils should evaluate how the functions of their Institutes should be delivered, taking account of alternative models and have made a recommendation accordingly.

**Recommendation 1.4: The relevant Research Councils should ensure their ongoing reviews of Research Institutes fully take into account the principles embedded in the Cabinet Office guidance on Triennial Reviews, considering the full range of alternative delivery models, whilst also taking into account the potential industrial and national strategic capabilities that these Institutes underpin. These reviews should all be completed by the end of 2013**

## Interdisciplinary Research<sup>27</sup>

**145.** Many respondents expressed the view that, in the words of the Institute of Physics, “*there is ongoing concern regarding interdisciplinary research*”. Although matters were acknowledged to have improved in this regard, many respondents commented that there remained more to be done.

**146.** Some respondents felt there was a perception (and others thought it was a reality) that grant applications at the interface between disciplines fell through the cracks. There was also recognition amongst several respondents that this may not just be down to the Research Councils, with several commenting that conservatism in the peer review process is also a contributory factor, as well as it being difficult to create a common pot of funding for interdisciplinary work. Whilst Research Councils and other organisations, such as universities, have carried out various initiatives in this area, there were suggestions that more needs to be done to incentivise collaborative efforts to interdisciplinary challenges. Several respondents said that even where interdisciplinary communities have been created, researchers have often reverted back to their original disciplines as they believed this would increase their chances of securing funding.

**147.** The majority of respondents who commented on this issue considered that, to quote the University of Sheffield, “*It would be better to address the problem of how best to support interdisciplinary and goal-oriented research explicitly by making cross-council programs work better and introducing positive incentives for the research councils to collaborate more effectively.*”

**148.** We were unable to determine whether these difficulties were real or perceived. In any case, there is a risk that perception drives behaviour. In today’s world, researchers are driven by the need to obtain grants and a rational researcher who believes, rightly or wrongly, that interdisciplinary research grants are less likely to succeed, will put their marginal effort into pursuing a single disciplinary grant rather than an interdisciplinary one.

**Recommendation 1.5: The Research Councils and BIS should review, with input from the Funding councils and the Academies, the extent to which the concerns over interdisciplinary research are a real or a perceived problem, and should explore whether funding streams need to be revised to ensure disciplinary boundaries do not inhibit the funding of the best research proposals. In particular, serious consideration should be given to a time limited trial of an intervention specifically aimed at eliciting more interdisciplinary research, such as a challenge fund dedicated solely to responsive mode interdisciplinary projects.**

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<sup>27</sup> In discussing interdisciplinary research in this review, we adopt the definition popularised by the National Academies of the United States: “Interdisciplinary research is a mode of research by teams or individuals that integrates information, data, techniques, tools, perspectives, concepts, and/or theories from two or more disciplines or bodies of specialized knowledge to advance fundamental understanding or to solve problems whose solutions are beyond the scope of a single discipline or area of research practice.” (*Committee on Facilitating Interdisciplinary Research, Committee on Science, Engineering, and Public Policy (2004). Facilitating interdisciplinary research. National Academies. Washington: National Academy Press, p. 2.*)

## Co-ordination and Co-operation between Research Councils

**149.** In recent years, the introduction of the Shared Service Centre (UK SBS Ltd) and the work of RCUK has led to significant improvements in the ways in which the Research Councils engage with each other to drive up standards of delivery and work with BIS as their sponsor Department.

**150.** The Review received significant evidence that there are several ways to further build upon this improving picture and these are examined in detail in the following sections. We take the view that it would be beneficial to use gap analyses to identify areas for improvement and where best practice could usefully be shared. There is a role for RCUK in leading the process of joining up the Research Councils in this way and for BIS in taking overall responsibility and providing strategic oversight.

## Costs of administration and corporate services

**151.** International comparators indicate that the Research Councils appear to perform relatively well against equivalent public and third sector organisations in the UK and elsewhere in terms of percentage share of total budget spent on administration (although like for like comparisons are difficult due to differing remits of organisations and variations in activity).

**152.** On average, administrative costs represent approximately 4% of the Research Councils' total budget and further admin savings means their administration spend will be further reduced to around 3.5% by 2014-15. The level of administration spend varies between Councils due to their differing structures and functions: for instance, EPSRC does not employ staff in RCIs and instead focuses on grants, and this allows it to keep administration costs at under 2% of its budget.

**153.** Some respondents observed that the successful creation of the Shared Service Centre had led to significant back office savings; figures from the SSC support this, indicating a total saving of almost £450m over a ten year period. However, these savings are generated by consolidation largely at a transactional level, and opportunities exist for wider corporate functions to be delivered differently to achieve greater efficiencies, a more integrated system and ultimately, better support for the delivery of the Royal Charter objectives. For example: there remain around 60 FTE within retained Finance Functions in the Research Councils themselves, with a further 130 FTE in institutes; there are communications services which could be improved upon if delivered on behalf of the Research Councils as a group, such as a joint press and communications office which was able to take a strategic overview of the full range of disciplines, and take a broader view of engagement than just media handling.

**154.** A number of respondents also suggested that, whilst much had already been done, it may be possible to drive further savings by considering efficiencies at the sub-Research Council level – for example, drawing institutes or other Research Council delivery bodies into shared services.

**155.** The relatively low administrative spend within the Research Councils noted above relies on the cooperation of the academics and researchers in peer review committees funded from other streams (e.g. QR or University teaching funding). It is not clear that it captures the costs of administration that fall elsewhere in the University system, and it does not reflect the actual and opportunity cost of making and assessing applications –

75% of which fail. There is an opportunity for closer work between the BIS, the Research Councils and the Higher Education Funding Councils to develop better management information on the total administration costs. On the basis of this the Research Councils will be able to benchmark their relative costs, and identify areas for efficiencies.

**156.** In conclusion, it seems that whilst there has been progress in migrating common services to the SSC over recent years, there would be merit in a further review of retained corporate functions to identify options for further rationalisation and greater sharing of corporate functions at the strategic and policy, as well as the transactional level.

**Recommendation 1.6: The Corporate Services Portfolio Board within BIS should work with the Research Councils to evaluate retained corporate functions and take forward a Business Case for further reform. The Research Councils should work with BIS and the Higher Education Funding Councils to better understand the full administrative costs of their work on the research system as a whole to enable areas for efficiency to be identified.**

### Consistency between the Research Councils

**157.** Several respondents (including Universities UK and the Russell Group) cited the complexity and diversity of regulations surrounding individual Research Councils' applications and award processes as a significant barrier to partnership working and called for more standardisation of schemes and policies including those on lengths of awards and reporting of research activity. The Russell Group said that a single shared specification document for all studentships should be a priority outcome for the Triennial Review. The Research Councils' Impact Group is already working on this issue.

**158.** Another example of complexity between Research Councils was the fact that each Research Council website is formatted differently, making it difficult for someone who wants to find something out from more than one Research Council. The Research Councils now have an agreed single format which is being implemented across all Research Councils' websites as resources allow. A more significant concern, flagged in several submissions and conversations, was the existence of two different systems for recording research outcomes (Research Outputs System (ROS) and Research Fish) as being unnecessary and inefficient. The Research Councils are aware of these issues, but more remains to be done before harmonisation can be achieved.

**159.** More broadly, there was evidence that differing approaches to funding mechanisms between the Research Councils was having different effects on career development opportunities and diversity of research groups receiving support in the different disciplines. An example of this would be moves by some of the Research Councils away from small, specialised grants towards funding of much larger projects. There is a question about whether this may be having a disproportionate effect on early career researchers, who may not be in a position to lead a large operation, and certain disciplines where research costs are low. The Review recognises that there are varied needs in different research areas, however, there would be merit in the Research Councils sharing best practice in policy development with relation to development of a sustainable research base.

**Recommendation 1.7: The Research Councils should comparatively review their policies, processes and procedures with particular reference to the consistency issues detailed on page 51 of this report and informed by work on total administrative costs to the system (Recommendation 1.6). They should set out a clear timetable for harmonisation or standardisation, unless there are clear and unambiguous reasons why this would be detrimental to the underlying research activities being carried out in research organisations. The Research Councils should conduct regular and effective peer review by Research Councils of each other's activities and processes, to ensure that best practice is shared and implemented.**

### Effectiveness of RCUK and BIS

**160.** Many (but not all) respondents said that they considered RCUK to be a generally effective body and identified its key current roles as providing oversight, facilitation and strategic co-ordination between the seven Research Councils. However, a significant number of responses suggested that there was a lack of clarity over the purpose, impact and visibility of RCUK. Several respondents commented on the fact that there were currently no metrics against which to measure the impact/success of RCUK.

**161.** Whilst there was generally support for RCUK's intentions in helping to align areas common to all Research Councils, there was some criticism on RCUK's engagement with the relevant stakeholders in some areas. This was particularly evident in responses from the academic community, who were very critical of the recent consultation on Open Access.

**162.** Most of the suggestions for change related to an increased role for RCUK in terms of strengthening cross-working and sharing best practice, as well as speaking with a stronger single voice, rather than recommendations for a switching of functions between RCUK and the individual Research Councils. A number also suggested that RCUK needs to have an important role in supporting cross-cutting functions of the Research Councils – for example on public engagement, influencing policy and international activities.

**163.** From discussion with stakeholders, our impression was that decisions on collective direction of the Research Councils tend to be reached through consensus. While this might maintain collegiate relationships, it is not always optimal. We were persuaded that there could be a stronger role for the BIS Director General of Knowledge and Innovation to bring decisive resolution of disputed issues and strategic oversight, including joining up with HEFCE and identifying issues which might not be manifest to individual Research Councils.



**Recommendation 1.8: The Review’s preliminary view is that there needs to be a stronger formal role for the BIS DG Knowledge and Innovation in ensuring that where there is a tension between the interests of different councils there is an effective route to resolve those tensions – while still respecting the principle that individual research funding decisions are kept at arms length from government.**

**Recommendation 1.9: The Research Council Chairs should interact with one another more frequently to explore more coordinated or federal approaches to Research Council activities. This may have implications for the terms under which Chairs are appointed.**

The Review will consider the latter two points further in Phase II.

## Form of Research Councils

**164.** The Cabinet Office guidance asks us to consider three further tests regarding the proposal to retain the Research Councils in their current status:

- Is this a technical function (which needs external expertise to deliver)?
- Is this a function which needs to be, and be seen to be, delivered with absolute political impartiality (such as certain regulatory or funding functions)?
- Is this a function which needs to be delivered independently of ministers to establish facts and/or figures with integrity?

**165.** Our answers to these three questions are set in Box 14:

Box 14	
Test	Remarks
<b>Technical function needing External expertise</b>	Effective and strategic funding decisions require detailed technical knowledge of specific research areas and the communities of researchers that deliver them. Research Councils provide the required expertise in house, and also access to further expertise in the wider research community through independent, expert peer review.
<b>Political impartiality</b>	The need for political impartiality and independence from Ministers is clearly set out in the <i>Haldane Principle</i> , clearly endorsed by David



Box 14	
Test	Remarks
	Willetts. <sup>28</sup>
<b>Establishment of facts and figures with integrity</b>	The credibility of research findings and trust in its application relies on confidence in the impartiality of the Research Councils and their commitment to excellence in research.

**166.** In the light of this analysis, Table 6 below set out an overview of the different possibilities for provision of the functions of the Research Councils and whether they are appropriate. The different models are those set out in the Cabinet Office guidance on Triennial Reviews. Any which are deemed appropriate will be explored in more detail following the table.

**167.** Of the 63% of written submissions that responded to the question, “Do the RC objectives for the Research Councils need to continue to be delivered?”, all thought that the RC objectives were still relevant to some degree, however 3 submissions (5%) explicitly commented on areas where there might need to be some refocusing/strengthening of objectives.

Table 6: Delivery model	Funding research	Maintaining the Haldane principle	Promoting economic and social impact of research	Ensuring a supply of trained researchers	Communicating research outcomes	OVERALL CONCLUSION	Comments
<b>Bring inside Government department</b>	Y	N	Y	Y	Y		Bringing the functions of the Research Councils into a Government Department would involve Ministers in decisions about individual research projects, undermining the Haldane Principles

<sup>28</sup> For instance this statement in Parliament of January 2012: “Science and Research spending follows the Haldane Principle which means that decisions on individual research proposals are best taken by researchers themselves through peer review and not Ministers. The Government support this principle as vital for the protection of academic independence and excellence”

<http://www.publications.parliament.uk/pa/cm201212/cmhansrd/cm120123/text/120123w0004.htm#12012339000836>

Table 6: Delivery model	Funding research	Maintaining the Haldane principle	Promoting economic and social impact of research	Ensuring a supply of trained researchers	Communicating research outcomes	OVERALL CONCLUSION	Comments
<b>Move to an existing executive agency</b>	N	N	N	N	N	N	Existing BIS agencies perform very different functions to the Research Councils. An executive agency would also remain under Ministerial direction, undermining the Haldane principle
<b>Move to a new executive agency</b>	Y	N	Y	Y	Y	N	As noted above, this would undermine the Haldane principle
<b>Move to voluntary sector</b>	Y	Y	Y	Y	Y	Y	Could fulfil criteria and worthy of further consideration. However, no existing charity with capacity to take on role (other than MRC, where Wellcome could – though this would represent a 150% budget increase). Sheer scale of funding to charitable sector poses a reputational risk, as does potential loss of strategic coordination with government. Weaker control of admin efficiencies. This option is explored further below.
<b>Move to local authority or LEP</b>	N	N	Y	N	N	N	The scale of research projects means that dividing funding between local areas would not allow effective investment of funding on larger projects. Would also seriously undermine funding of excellence, both of pure or applied research. Local authority control would also undermine the Haldane principle.

Table 6: Delivery model	Funding research	Maintaining the Haldane principle	Promoting economic and social impact of research	Ensuring a supply of trained researchers	Communicating research outcomes	OVERALL CONCLUSION	Comments
<b>Move to private sector</b>	N	N	Y	N	N	N	Private sector funders of research exist, but much of the research undertaken by Research Councils would not be provided on a market basis due to uncertainty and long time-scales. Private company unlikely to tolerate expensive peer review process if conflicted with duty to maximise profits (see section below on estimated cost of peer review process), which would undermine Haldane.
<b>Contract to private delivery body</b>	Y	N	Y	Y	Y	N	No obvious existing body exists. Due to need to contract manage a private contractor rigorously to maintain value for money, this would be likely to undermine Haldane principle. Peer reviewers unlikely to provide free/low-cost services to a private, for-profit company as they do to government run Research Councils. Previous research <sup>29</sup> suggests that the cost of peer review if privatised could be in the region of £198 million per year
<b>Establish new NDPB</b>	n/a	Y	n/a	n/a	Y	N	Unlikely to deliver any efficiency gain and would not meet the Government's objective to reduce the number of NDPBs. We consider this option to be equivalent to maintaining the

<sup>29</sup> In 2006 the RCUK commissioned an independent review from DTZ Pida to analyse of the cost of peer review: <http://www.rcuk.ac.uk/documents/documents/rcukprreport.pdf>

Table 6: Delivery model	Funding research	Maintaining the Halidance principle	Promoting economic and social impact of research	Ensuring a supply of trained researchers	Communicating research outcomes	OVERALL CONCLUSION	Comments
							status quo.
<b>Merge into a single NDPB</b>	Y	Y	Y	Y	Y	Y	Research has previously been delivered by fewer Research Councils and this could in principle be done again. This option is explored below
<b>Restructure into fewer Councils</b>	Y	Y	Y	Y	Y	Y	As with merging into a single NDPB, this would not change any of the fundamental structural principles of the Research Councils. This option is explored below.
<b>Merge with another body</b>	Y	Y	Y	Y	Y	Y	Provided sufficient distance from government, the Councils could be merged with another body. This option is explored below.
<b>Maintain the status quo</b>	Y	Y	Y	Y	Y	Y	This option is explored below.

## Options Analysis

**168.** Each of the five options that passed the primary sift above are now further assessed. These options are:

- Move to voluntary sector
- Merge into a single NDPB
- Restructure into fewer Councils
- Merge with another body
- Maintain the status quo

**169.** Each of these options has been considered against four broad criteria:

- Strategic role and independence
- Accountability and value for money
- Delivery of functions
- Community/respondent views

**170.** The detailed analysis is set out below.

### Move to voluntary sector

**171.** The Research Councils act to achieve various long-term objectives of the Government, while keeping individual decisions independent under the Haldane Principle. Their role of pursuing defined goals with government funds but at arms length could in principle be transferred to a charitable body with the same objectives and funding. This could either be achieved through transforming the current Research Councils into charities or by redirecting funding to other charities.

#### Strategic role and independence

**172.** The move to delivering the functions through the voluntary sector would, in itself, lower the degree of governmental oversight. Currently there are clear links between BIS and the Research Councils at the strategic level, where a charity provided with a mission statement and funding to carry it out would be freer to set direction.

**173.** The Government could impose more controls on how the charities were able to use government funding. This would make the interaction of government direction and Council initiative more formal and explicit, but therefore less flexible. As a result, moving to the voluntary sector could either move towards independence or weaken the Haldane Principle, depending on how it was approached.

**174.** The majority of respondents who discussed the independence of Councils from government felt either that the level was about right or that government influence should be reduced. The research community and users would both be likely to be sceptical of a move to the voluntary sector which involved greater government control through contracting out, though some might favour an approach which gave more complete freedom to the Research Councils.

#### Accountability and value for money

**175.** In terms of the programme spending of the Research Councils, moving three billion pounds a year of spending into the voluntary sector creates a significant risk in terms of accountability for ensuring appropriate use and value for money.

**176.** A move to the voluntary sector would also affect back office costs. Because they are in the public sector, the Research Councils are currently subject to set pay scales and other public sector spending controls (for instance on expenses and proportion of spend on administration). If they were moved onto a charitable basis, these controls would be weakened. Discussions with those working in the sector suggest that Research Council pay scales can be significantly less than what is paid elsewhere, so the greater freedom of the voluntary sector would be likely to increase pay costs (although this may in turn attract higher quality staff and researchers). In more general terms, the benefits of strict controls

on admin spends would also be likely to be lost. It is notable that charities in this sector often have expensive, central London offices, whereas Research Councils have mainly consolidated in Swindon.

### **Delivery of functions**

**177.** A move to the voluntary sector could be achieved either through transforming the Research Councils themselves into charities or by transferring the funding to current voluntary organisations in the sector.

**178.** Transforming the Research Councils themselves into charities would provide continuity, although it would make it unlikely that users saw dramatic benefits due to fresh approaches or methods.

**179.** Moving funding to voluntary bodies carries a transitional problem from the perspective of the Research Councils, as the redundancies and pension requirements involved would be costly. It also faces the challenge of finding a body ready to receive the funding: most sectors have no voluntary bodies on a suitable scale. The nearest exception is probably the Wellcome trust, but even in that case, receiving the current MRC budget would represent a 150% jump in their funding. There might also be an issue that moving research funding to a large charity would mean there was a single monolithic funder in a sector, rather than the current collaborative and competitive tensions between funders. Funding could be split amongst many smaller charities, but this would make directed investment in any given area difficult, and reduce the value for money obtained through greater spending power.

### **Community/Respondent views**

**180.** A move to the voluntary sector was not called for by anyone responding to the review, although the question was not explicitly asked and some respondents supported the greater independence over strategy or pay that charitable status could allow. Some respondents suggested that further institutes could move into the charitable sector in addition to those which have already done so.

### **Summary and conclusion**

- If the functions were moved to the voluntary sector, this would only be practically achievable through transforming the status of the Research Councils themselves.
- The primary effect of a move to the voluntary sector would be to provide greater freedoms from government oversight, particularly on back office costs. However, the principal effect would be that public sector spending controls would be weakened which could result in higher, rather than lower, costs
- No respondents called for a move to the voluntary sector. Some would favour the greater freedoms it allows, while others would be concerned.
- Given the level of funding involved and the importance of value for money and pay restraint, it would be difficult for the Government to tolerate the risks involved in greater independence.

**181.** In conclusion, moving to the voluntary sector would probably introduce significant risks and reduce government influence, without any clear reason to think that it could be done in a way that would create a positive change in organisational outlook. However, there may be some room for the benefits of the voluntary sector to be explored at a smaller scale, in particular in the case of institutes. This is explored later in this review.

### Moving to a single NDPB

**182.** The clearest way to rationalise the Research Councils would be to move to a single Council. Other countries including the US are often described (erroneously) as having a single research funding body, and such a body could certainly in principle carry out all the functions expected from the Councils. It has been argued that it could also reduce overhead costs, encourage more interdisciplinary work and allow research leaders to strategically redistribute funds between different disciplines.

### Strategic role and independence

**183.** A single Research Council would reduce government influence over key strategic decisions, in particular to the allocation of funds between the Research Councils. This could allow prioritisation on the grounds of scientific need, but in doing so reduces government ability to decide that a particular area (such as medical research) should be prioritised.

**184.** The dissolution of discipline-specific councils would mean that researchers would not have clear representatives or champions in the process of seeking funding, and this might reduce the predictability of future funding for certain disciplines, making planning and attracting top quality academics more difficult. Research Councils also currently benefit from their historical lineage and are often well-recognised internationally: much of this might be lost during a merger into a new body without disciplinary distinctiveness.

**185.** The option of moving to a single Council has been considered several times before. The last Review of the Research Councils (in 2001) stated:

*5.4.1 A single Research Council to perform the role of a number of Councils was considered in the context of the 1993 White Paper and again in the context of the most recent advice to the Select Committee. Having six bodies funding research and training probably produces a degree of complexity and an administrative overhead that would not exist for a single Research Council, an issue that has been picked up by several universities and others in their written submissions to this Review.*

*5.4.2 The total research and training agenda across the scientific disciplines is arguably too broad and diverse to be managed without decision-making structures that are focused on the needs of individual research communities. Thus six Research Councils provide improved customer focus, and an ability to concentrate on key issues affecting the communities to which they respond.*

*5.4.3 In addition, mechanisms are in place to ensure that the Councils collectively optimise the output of the Science and Engineering Base. The Councils consider inter-disciplinary themes and projects, as part of their long term planning process, and highlight these opportunities in their published strategies and operating plans.*



**186.** Some of the outcomes that would be sought by a merger are clearly priorities of the research community and users. In particular, interdisciplinary research has been highlighted by many respondents as valuable and worth developing.

### **Accountability and Value for Money**

**187.** Since the previous review in 2001, the case against merging into a single Council has strengthened, as changes have been introduced to unlock some of the potential benefits from a merger while maintaining seven Research Councils. In particular the Research Councils now have a Shared Service Centre for their back office functions, creating substantial savings (£450 million over 10 years) and significantly reducing the cost of these functions and contributing to their very low administrative costs – see Box 15.

#### **Box 15: The Shared Service Centre (SSC)**

Since 2008, back office functions have been transferring to a Shared Service Centre. Transactional roles in all Research Councils in the areas listed have now been transferred to SSC:

- Finance
- Grants
- HR
- IT services
- Payroll
- Procurement

We have been told that this transfer amounted to 784 full-time equivalent (FTE) posts being transferred from the Research Councils to the SSC.

Sector specific/strategic roles have been retained within the Research Councils covering

- Senior management
- Specialist knowledge directly linked to the delivery of their Council's mission
- Some professional staff in retained functions or other support functions

**188.** In addition to this, the Councils also have greater coordination through RCUK, whose establishment was a key recommendation of the 2001 review.

**189.** Whilst there is a case to suggest that further cost savings may be possible, for example through further rationalisation of retained functions or standardisation of processes and procedures (see recommendations 1.6 and 1.7), it seems that working within the existing framework would be much more likely to deliver savings than merger. This is particularly so given the significant costs and disruption associated with merger, as can be seen by the example of the creation of STFC, in which the merger of just two Councils led to a large upheaval, including an NAO report and Select Committee hearings,



and had immediate costs in the region of £0.5m<sup>30</sup>, with estimated overall costs of between £5-10 million. The cost of upheaval (both in terms of immediate cost but also that associated with the level of management time which the merger required) was widely commented on by respondents to the call for evidence.

### Delivery of functions

**190.** Some of the outcomes that would be sought by a merger are clearly priorities of the research community and users. In particular, interdisciplinary research has been highlighted by many respondents as valuable and worth developing. However, respondents have noted, in some cases with reference to the US, that interdisciplinary work can be lacking even within Councils, and that a more monolithic funder can in fact increase the tendency for silos to form.

### Community/Respondent views

**191.** Of those who commented on this subject in their response to the call for evidence:

- 77% supported the current structure, with 11% of these suggesting improvements for better ways of working;
- 8 submissions (10%) suggested there might be potential for change but did not consider further;
- 7 submissions (11%) wanted change.

**192.** Many urged against further disruption to the Research Council structure and it is clear that stakeholder opinion would be strongly against the creation of a single Research Council.

### Summary and Conclusions

- International comparisons suggest that moving to a single NDPB would not necessarily resolve perceived or actual issues of interdisciplinarity;
- The creation of the Shared Service Centre has led to significant back office savings (almost £450 million over ten years). Whilst further cost savings may be possible, evidence suggests that these are likely to be relatively small, and in case would need to be balanced against transitional costs, which are likely to be high. International comparisons also suggest that a single structure is not necessarily more efficient;
- The benefits of disciplinary communication and recognition through the current Councils is strongly valued by the research community;
- The changes introduced since the 2001 review have helped the Councils exploit some benefits associated with a merger without losing their individual identities.

**193.** In conclusion, moving to a single Research Council would be likely to unlock only limited savings and would risk significant harm, as well as involving large transitional costs.

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<sup>30</sup> As identified by the NAO

## Reduction of number of Research Councils through merger

**194.** The process of reducing seven research Councils could be approached in several ways, and we cannot explore all of these exhaustively. We have therefore explored the different arguments for reducing the number of Councils through two case studies: one of AHRC and ESRC merging (Box 16) and one of STFC being abolished and its functions being transferred either to EPSRC or becoming Institutes (Box 17). The fact that transactional roles in all Research Councils in many areas has already been transferred to the Shared Service Centre is also relevant in this context – see Box 15 above.

### Box 16: Case Study: AHRC and ESRC Merger

When we asked stakeholders which might be the most obvious two Councils to merge, the AHRC and ESRC were cited the most frequently as the most natural choice (although many respondents gave a clear indication that they would not necessarily support this).

By way of a case study, we have therefore explored the potential implications of merging these two bodies, against the following relevant factors:

- **Scale and Scope of the Councils and their Communities**

At first glance, the remits of the AHRC and ESRC seem to be relatively closely related – with one covering arts and humanities and the other social sciences. However, to take this at face value ignores some key issues sitting underneath the work of each Council.

The AHRC and the ESRC have the largest and most diverse range of subject areas of all the research councils. Between them they have over 50% of research-active staff and units of assessment based on the most recent Research Assessment Exercise (2008). This is a diverse set of researchers with different needs; a point which has been made not only by both the Councils but also by stakeholders (eg British Academy and Nuffield Foundation).

This means that if AHRC and ESRC were merged, half the academic community would fall under one Research Council. Such a move would be likely to upset many in that community (judging by comments made by the ESRC and also responses to the call for evidence) and lead to many academics and researchers feeling threatened (see further Community / Respondents attitudes section below). This is further complicated by the fact that the leading organisations for arts and humanities are not always the leading organisations for social sciences. The current set-up allows this to be dealt with more effectively than if the two organisations were to be merged.

- **Shared agendas and existing collaboration**

AHRC and ESRC have told us that they routinely work closely in major areas of shared responsibility – both formally and informally. Cross-RCUK examples include the AHRC-led Connected Communities Programme in which the ESRC is a funding partner, and the ESRC-led Global Uncertainties Programme which AHRC co-funds.

However, ESRC and AHRC have also told us that there are significantly more funded collaborations between ESRC and MRC, for example, than between ESRC and AHRC,

### Box 16: Case Study: AHRC and ESRC Merger

and that AHRC works more with EPSRC than it does with ESRC. The case has therefore been put to us that while the two communities work well together, they are not necessarily more natural partners than those in other disciplines and therefore the assumption that they are most suitable for merger may well be wrong. In addition, there have not been suggestions that other forms of merger would be more appropriate.

- **Potential Cost Savings**

The AHRC and the ESRC are the two smallest Councils in terms of staff numbers and operating costs. As is the case for the other Research Councils, the creation of the Shared Service Centre (SSC) has already led to significant back office savings. In addition, it has recently been announced that AHRC and ESRC will be merging their retained finance, HR and IT functions with EPSRC to form a 'Professional Services Unit' (PSU) which went 'live' on 2 April 2013. This indicates that there may be few additional gains from further mergers.

In addition, the cost of merger itself should not be overlooked. By way of example, the creation of STFC (from the merger of PPARC and CCLRC – see below) had immediate costs in the region of £0.5m<sup>31</sup>, with estimated overall costs of between £5-10 million.

- **Community / Respondents attitudes**

As mentioned previously, many respondents emphasised the significant cost and change which would be incurred if Councils were merged, stressing that there would need to be a very strong business case for doing so to compensate for the significant disruption. Of the small number of respondents who supported reducing the number of Councils, some suggested specific mergers, including between AHRC and ESRC. However, other respondents (in particular those who work closely with these Research Councils) considered this potential merger and strongly rejected it.

The British Academy makes very clear that it would not support merging AHRC's and ESRC's portfolios. It argues that *'Given the size of the research cohort represented by the AHRC and the ESRC, together with the range of disciplines and approaches that they cover (spanning the full spectrum of the creative and performing arts, the humanities and the social sciences), the British Academy does not believe that there would be any advantages to be gained in merging the two councils into one. Such a body would be unwieldy and would doubtless struggle to reflect the needs of such a varied and diverse research community, which risks undermining the UK's highly successful track record of research in these disciplines.'*

Similarly, the Nuffield Foundation made the observation that, despite both being among the smallest research councils, AHRC and ESRC serve a large proportion of research active university staff. Their substantive concern, however, was that *'merging these two councils would actually undercut attempts to bolster the 'science' element in social science, which distinguishes much social science from disciplines primarily concerned*

<sup>31</sup> As identified by the NAO

### Box 16: Case Study: AHRC and ESRC Merger

*with text. As we are currently part-funding a £15.5 million initiative to develop better quantitative skills in UK social science (along with the ESRC and HEFCE), we would be most concerned about any such merger.'*

In addition, we have been told that with such a large research community to support on current budgets, an AHRC/ESRC merger would do significant short-term damage to the effectiveness and responsiveness of both and impact on the contribution made to programmes led by other Research Councils and funders.

- **Lessons learned from merger to form STFC**

We received several responses which cited the merger of PPARC and CCLRC to create STFC an example of the need to really understand the impact and cost of change and for the need for a very compelling reason in order to do this. Most of those who commented on the merger to create the STFC recognised, in this case, that there was a need for the two previous Councils to merge (which they do not believe to be the case for ESRC and AHRC). They, nevertheless, highlighted that the disruption caused was extremely damaging at the time and more than was initially foreseen. Examples of the kinds of comments we received include:

*'It is only relatively recently that STFC has recovered from the 'fallout' due to its creation from a merger....'* (Council for the Defence of British Universities)

*The decision to merge the two councils [PPARC and CCLRC} was generally welcomed by the community and the Institute. However, the genesis of the new research council, in a period of financial difficulty, resulted in a turbulent few years. The remainder of the response to this question focuses on STFC for the sole reason of providing a salutary reminder of the challenges of merging such organisations...In summary, both the SSC and CCLRC/PPARC merger should serve as evidence against mergers based on 'economies of scale' and we should infer that it is often preferable to keep existing structures in place.'* (The Institute of Physics)

*'Reorganisation is never without pain. We all know that. But even so, the creation of the STFC from the merger of the previous funding councils, PPARC and CCLRC, resulted in more serious disruption to the UK science programme than many of us ever imagined. The merger led to hasty and short-term decision making, and the ad-hoc reversal of long-held points of strategy. The result was waste, inefficiency and missed opportunities. The same pattern was repeated several times as the new council "bedded in", which took years after the merger itself. The impact was a significant cost in terms of damage to the UK reputation as an international partner in large scientific projects. There was damage too, terminal in this case, to the leadership of the new council. The press was quick to see the fiasco develop and so the negative press coverage also adversely affected the reputation of the Government.....The dust has really only just settled after the previous restructuring. Please spare STFC further disruption this time around!'*

(Dr Alan J Barr, STFC Particle Physics Grants Panel)

## Box 16: Case Study: AHRC and ESRC Merger

These comments, which highlight significant disruption caused by the merger are particularly pertinent given that there is no significant call for a merger between AHRC and ESRC.

- **International comparison**

International comparisons of research council arrangements reveal considerable diversity. In some countries social sciences and humanities are classed as a single branch (see NWO in the Netherlands, DFG in Germany).

Where separate council arrangements exist they tend to exclude the arts (see Social Sciences and Humanities Research Council in Canada, or the National Endowment for the Humanities in the US). There is no consistency of approach.

However, we have been told that global funders accord significant prestige to the distinctive remits of both AHRC and ESRC and both have major influence. For example, the two Research Councils are able to lead on the different European funding partnerships and initiatives relevant to their respective domains. Again, many responses cautioned against disruption which would affect the international reputation of the Research Councils.

- **Summary and Conclusions**

- The fact that AHRC and ESRC have different success criteria, combined with the different areas of research they cover, would suggest that there is sufficient differentiation between the two Councils to imply that they should remain as separate entities.
- If the AHRC and ESRC were merged, half the academic community would fall under one Research Council.
- Of the small number of respondents who supported reducing the number of Councils, a very small proportion (one written response) suggested exploring a specific merger between AHRC and ESRC. However, those who are closely involved with one or both of these Research Councils were actively hostile to this possibility.
- Whilst further rationalisation may be possible, we have not been presented with any evidence that there would be substantial cost savings resulting from such a merger, given that many back office functions have already been merged and transitional costs are likely to be high (see below).
- Experience from the merger to create STFC tells us that the costs of merger are very high and therefore there must be a very compelling case for change in order to make it worthwhile.

In conclusion, we have received no compelling evidence to support the need for a merger between these two organisations. The evidence we have received strongly suggests that the negative disruptive effects (to the organisations themselves but also to

**Box 16: Case Study: AHRC and ESRC Merger**

the research communities they serve) of a merger between the ESRC and AHRC are likely to outweigh any conceivable gains or cost savings.

**Box 17: Case Study: Abolition of STFC**

At first impression, there are significant differences between the functions and form of STFC and those of the other six Councils. Whilst the other Councils are fundamentally about directly funding research and researchers, over half of STFC's budget is used for the provision of facilities, either directly (in the UK) or via international subscriptions, for the benefit of researchers across all disciplines. In this respect it seems to have more in common with the Research Institutes associated with some of the Research Councils. An argument could therefore be made for the abolition of STFC as a Research Council and its conversion into one or more institutes, with the research-funding functions transferred to EPSRC.

- **Form and Function of STFC**

As set out in its delivery plan, STFC has *“three distinct but interrelated functions: firstly, sponsoring university-based research, innovation and skills in astronomy, particle physics and nuclear physics; secondly, ensuring access to world-leading, large-scale facilities across a range of physical and life sciences, enabling research, innovation and skills training in these areas; and thirdly, building the UK's Science and Innovation Campuses to promote academic and industry collaboration.”*

After the challenging period shortly after its formation, which has been referred to extensively by many respondents to the call for evidence, budgetary partitions were put in place between the three areas. In 2011/12, the resource budget fund allocations by partition area were as follows:

- International Subscriptions: £108.6m
- UK Large Facilities: £77.2m
- Core programme (including research grants, studentships, infrastructure, operational costs of laboratories): £190.7m.

It can therefore be seen that although there are significant differences between STFC's structure and a purely research and skills funding Research Council such as EPSRC or AHRC, the difference is less stark when considered alongside a Research Council with institutes, such as the MRC or BBSRC. Whilst acknowledging that there are important differences in structure and governance, a strong analogy can be drawn between institutes and STFC's campuses and facilities, in that STFC delivers its Royal Charter Objectives through a combination of direct grants to researchers in universities and larger scale funding of specific projects and facilities.



## Box 17: Case Study: Abolition of STFC

- **Strategic Implications**

In its current form, STFC is able to tension the competing priorities between UK large facilities, international subscriptions and research grants, as well as to take a strategic view so that the needs as a whole of the disciplines for which it is responsible are met. It was this overarching perspective that allows difficult decisions to be taken appropriately when prioritising, for example the decision in 2009 to withdraw from Gemini South. It was for such reasons that STFC was formed in 2007, from its predecessors the Particle Physics and Astronomy Research Council (PPARC) and the Council for the Central Laboratory of the Research Councils (CCLRC).

There would be little benefit, for example, in funding an international particle physics facility such as CERN unless simultaneous investment into research and postgraduate training were made in the UK. Similarly, when considering the UK's future participation in, for example, astronomy, without a single organisation with responsibility for both the UK based facilities and international subscriptions, it would be difficult to comprise a coherent strategy for the future direction of the science.

It is acknowledged that in some respects the position of the UK-based facilities is unusual, in that these are provided in large part for the benefit of researchers in other disciplines, rather than for those in STFC. However, whilst facilities such as the Diamond Light Source is of benefit to a wide range of disciplines across all the Research Councils, there are strong synergies between the underlying synchrotron science of both Diamond and particle and nuclear physics facilities, meaning there is significant benefit in the facility being run by STFC.

- **Potential Cost Savings**

We have not received any evidence to suggest that the abolition of STFC would result in significant cost savings. As is the case for the other Research Councils, the creation of the Shared Service Centre (SSC) has already led to significant back office savings, meaning that whilst further rationalisation may be possible, it is unlikely that there would be substantial cost savings generated from merging the grant-giving parts of STFC with another Council. STFC is also nearing the conclusion of a comprehensive review of its Corporate Service functions, with a view to delivering further efficiencies and savings.

Creating a new institute or institutes to administer the facilities would be likely to increase rather than decrease costs, particularly in the short term.

In addition, such a change – essentially reversing the recent creation of STFC – could do significant short-term damage to the effectiveness and responsiveness of STFC's programmes, significantly damaging its relationship with its community and undoing much of the good work that has been done in recent years to get the Council on to a strong footing following the controversies of 2008.

- **Community / Respondents attitudes**

Several respondents indicated that, in their view, STFC was an anomaly amongst the

### Box 17: Case Study: Abolition of STFC

Research Councils and that some consideration should be given to its form and function in the review. BP, for example, said that *“It would seem more logical for the STFC to focus on the facilities and transfer the programme side to the EPSRC”* whilst the University of Sheffield observed that whilst *“the six ‘disciplinary’ councils serve an important purpose to their communities and to society, although the difference in function, and indeed name, of the STFC may be problematic.”*

On the other hand, and as discussed elsewhere in this report, many respondents emphasised the significant costs and disruption caused by the creation of STFC. The University of Bristol, commented that *“The financial shortfall (£80M) at the time wreaked havoc with the STFC science programme”* and many commented that further disruption could have severe negative consequences; in the words of the Royal Astronomical Society (RAS), *“If there are major changes to the research council landscape, this could destabilise this and other relationships and ultimately be detrimental to the international standing of UK science.”*

Although some disagreed – one individual researcher, for example, saying that *“the setup of STFC was \*not\* the preferred solution of the community.”* – most of those who commented on the merger to create the STFC recognised, in this case, that there was a need for the two previous Councils to merge, and similarly the majority considered that STFC was now working well: the Institute of Physics, observing, for example, that whilst the creation *“resulted in a turbulent few years...we now have an established research council which understands the needs of and commands the respect of its community.”*

Several respondents elaborated on the benefits of STFC’s unified remit. The RAS said that *“Part of the reason for creating STFC was to achieve an across the board approach to engagement in international organisations”*, a view that was also voiced by the European Southern Observatory who said that *“STFC has had to make difficult choices, but has done so with a strategic perspective.”* The Particle Physics Advisory Council observed *“The unified management by STFC of both the subscription to, and exploitation of, key research facilities is absolutely essential for maximising the UK’s scientific, technological and resulting economic return on its investments.”* This view was echoed by the physics department of the University of Durham, who stated *“It is therefore important that the exploitation process, via research grants, is intimately associated with the operation of the facilities themselves. The suggestion that STFC’s grant-giving functions might move to EPSRC, and thus be separated from STFC’s facilities, would break this model; these facilities and the instruments used to exploit them are intimately linked and functionally inseparable”* and by the IOP, who argued it *“would effectively undermine the raison d’être of STFC and is very undesirable, particularly as STFC is now performing much more effectively.”*

- **Summary and Conclusions:**

- There are strong strategic synergies between STFC’s different activities, including funding research, international subscriptions, investing in large facilities and developing science and innovation campuses.
- Although some remain sceptical, the majority of respondents consider that there



### Box 17: Case Study: Abolition of STFC

was a strong rationale for the creation of STFC, although the process of creation was painful and the costs were high.

- Given that the creation of the SSC has already led to significant back office savings, it is unlikely that there would be substantial cost savings generated from merging the grant-giving parts of STFC with another Council.
- There would be few benefits and some potential disadvantages for turning the large facilities into one or more institutes and there was no significant level of support for a change of this nature.

In conclusion, the evidence we have received strongly suggests that the negative disruptive effects to the abolition of STFC are large and that any benefits are likely to be small or non-existent.

#### Overall summary and conclusions:

**195.** Both case studies suggest that reducing the number of Research Councils would present a number of risks (some common and some specific to a particular Council), without delivering any real benefits.

**196.** Whilst further rationalisation between Research Councils may be possible, we have not been presented with any evidence that there would be substantial cost savings resulting from full mergers, given that many back office functions have already been merged and transitional costs are likely to be high.

**197.** Whilst there was acceptance from some respondents that division into seven was not the only way to divide the Research Councils, only a very small number of respondents supported mergers between specific Councils.

**198.** In conclusion, reducing the number of Research Councils would only be likely to unlock limited savings, would risk significant damage to the research communities affected and is likely to involve large transition costs.

#### Merger with another body

**199.** If the Research Councils were merged into a single body to allow greater coordination and save further back-office costs, some additional benefit might be found by merging the resulting body with one or more other NDPBs. While our analysis suggests that the merger of the Councils would itself not be justified, we have considered some potential mergers with other bodies, as these might provide additional benefits that justify the move to a single Council.

#### Merger with HEFCE research

##### *Strategic role and independence*

**200.** The most significant other public body funding UK research is the Higher Education Funding Council for England. This provides £1.9bn of funding per year, on a similar scale

to the £3bn provided through the Councils. However, HEFCE research funding is provided directly to Higher Education Institutes in the form of block grants, rather than being used to fund individual research proposals.

**201.** The combined body would have an oversight of research funding, allowing greater strategic direction. However, such a merger would create problems. It would exacerbate the problem already noted of a merger of Councils reducing Ministerial involvement in research strategy. Being unable to even control the division between block grants and Council funding would leave Ministers with very little ability to steer the overall direction of research. The independence of the two elements of the system from each other would also be undermined.

**202.** In addition, the Research Councils are UK wide bodies whereas HEFCE only covers England and thus there would be the added complexity of the relationship with the Devolved Administrations.

### **Value for Money**

**203.** One approach to a merger might be to remove this distinction, moving instead to distributing funding by a single method: either block grants or funding individual research. However, the two forms of funding are not a historical accident. The 'dual funding' system recognises both the need to back individual excellence through Research Council grants, and to allow HEIs the ability to plan and do early work in areas not yet developed sufficiently far to seek Research Council funding. Contributors who addressed the dual funding system showed a clear support for its ongoing existence, and this is also part of the government's established funding policy.

**204.** A merger with HEFCE research would therefore take the form of one cross-disciplinary organisation providing both kinds of funding. In consequence there would be few additional synergies or efficiencies to pursue compared to the status quo.

### ***Delivery of functions***

**205.** Furthermore, HEFCE currently exists both as a research funding body and a teaching body: two thirds of its block grants are awarded for teaching. To combine the research arm with the Councils would therefore not reduce the total number of NDPBs (because teaching funding would need to remain separate), and would remove the more obvious synergies and shared costs in having a single body responsible for all the block grants that universities receive. Moving some of the core university funding into the realms of the Haldane Principle would add to confusion while the rest remains under Ministerial direction and universities receive an increasing proportion of income from fees.

### ***Stakeholder/respondent views***

**206.** No respondents suggested this option and many spoke strongly in favour of the existing dual funding system, as providing a balance between strategic capacity building and the funding of excellent individual projects. Even if the existing funding mechanisms were preserved in the new body, it is likely that some in the community would see this as a prelude to an attack on the existence of the dual funding mechanism and would therefore be hostile to such a move.

**207.** In addition, the community would have concerns over the loss of discipline-specific councils discussed in the option of ‘merge into a single NDPB’, which would mean that researchers would not have clear representatives or champions in the process of seeking funding.

### **Merger with TSB**

**208.** The TSB is a far smaller funder than the Research Councils, and its addition to a merger would not have a significant effect on overall budgets. This would effectively be a merger of the seven Councils into one, with the addition of the TSB, and therefore similar arguments apply.

### ***Strategic goal and independence***

**209.** Inclusion of the TSB might be valuable due to the significant synergies between it and the Councils, and the focus of the TSB on working with business and driving economic benefit.

**210.** Some of the respondents to the review argued for a greater focus on the economic impact of research, and more effective working with business, both areas where the TSB specialises. Some respondents also called for the Councils to ensure they worked closely with the TSB, although some of these acknowledged that this was already a strength.

**211.** The concerns regarding control of strategic goals by government that apply to a merger into a single Research Council are also relevant here, with the addition that this would also reduce the government’s ability to direct money towards either ‘research’ or ‘translation’. A merger would also, in effect, either move the Research Council spend out of Haldane, or subject the TSB spend to Haldane, either of which would be desirable.

### ***Accountability and value for money***

**212.** Much the same arguments apply to this scenario as to the case of a merger to reduce the number of Research Councils. In particular the conclusion that further cost savings may be possible through greater use of shared services, rather than through costly and disruptive structural change or merger.

### ***Delivery of functions***

**213.** In practice, a merger would result in a take-over of the TSB by the Research Councils (whose budget and staffing is over five times that of the TSB). The greatest risk is therefore to the functions of the TSB, rather than the Research Councils.

**214.** The case for closer working between the Research Councils and the TSB does not translate into a case for them to be made a single body. Currently, the TSB is a smaller, more agile, institution: its focus on business is clear and it has a specific role and recognised brand in near-market applications of technology. If it was simply an earmarked area of funding within a Council with a far larger budget, this unique role it plays could be lost. It would also be unlikely to attract the same calibre of leadership with a less distinct status, and the Haldane Principle would make it more difficult for Ministers to use it to drive strategy.

### ***Community/respondent views***

**215.** This would be seen as a major shift from blue skies research to a focus on more commercial issues, and as such would be strongly opposed by much of the research community, many of whom (judging by the responses the review received) already consider there is too much focus on impact. There would also be a concern that this would undermine the Haldane Principle.

**216.** In addition, the community would have concerns over the loss of discipline-specific councils discussed in the option of 'merge into a single NDPB', which would mean that researchers would not have clear representatives or champions in the process of seeking funding.

### **Summary and Conclusions:**

**217.** There are different, but equally significant risks with merging the Research Councils with either HEFCE research or the TSB.

**218.** Evidence suggests that further cost savings may be possible through greater use of shared services between Research Councils and other organisations (as and where appropriate), rather than through costly and disruptive structural change or merger.

**219.** No respondents suggested a merger between HEFCE funding and the Research Councils., While even closer working relationships were suggested between the TSB and the Research Councils, a merger was not called for.

**220.** In conclusion, it does not seem that there would be significant additional benefits of merging the Research Councils with either of these organisations.

## **Maintain status quo**

### ***Strategic role and independence***

**221.** Respondents who addressed the relevant questions were overwhelmingly supportive of independence on what research to fund, but most recognised that there was some role for government in setting strategy and direction. It is fundamentally this issue of balancing independence and strategic direction that underpins the arguments for Councils rather than the functions moving to the private or voluntary sectors or being fully absorbed into government.

### ***Accountability and value for money***

**222.** Whilst further cost savings may be possible (see recommendation 1.6), the Research Councils have low administrative costs, in particular because they have the UK SBS Ltd for all of their transactional / generic back office functions.

### ***Delivery of functions***

**223.** As discussed earlier in the report, the seven Research Councils are the prime channel through which the Government supports the UK's basic, applied and translational research base. Each of the seven Research Councils funds research in specific areas and has specific objectives set out in a Royal Charter.

### ***Community / respondent views***

**224.** The status quo of how the Research Councils work and how they prioritise their funding has faced a wide range of commentary and critique from respondents to this review. However, as the analysis above sets out, very few argued the case for fundamental change in the basic form of the Councils.

**225.** Most did not argue that the current division into seven was the only way to divide the Research Councils, but the case for multiple Councils was more explicitly made – the sheer breadth of research means that it is useful to have some real oversight at a level which is more detached than a sub-discipline but broader than the entirety of the sciences, arts and humanities. Some respondents were open to the possibility of reducing slightly the number of Research Councils, at least in principle, but we have not come across cases where there would be notable benefits from mergers between them, and the experience of STFC in particular makes the costs clear. The work done since the Quinquennial review of the Research Councils, in particular the work of RCUK and the establishment of the SSC, mean that many of the more realisable benefits from such a merger have already been achieved.

### Summary and Conclusions:

**226.** Whilst the current division into seven Research Councils is not the only option, the current system has many strengths and is widely respected.

**227.** Supporting the status quo was by far the preferred option of most respondents, although improvements were suggested.

**228.** In conclusion, the evidence we have received strongly suggests that the current structure should be maintained.

### Summary Table

**229.** Having assessed each of the five options against the four criteria, we have scored them as set out in Table 7 below.

Table 7: Delivery model	Strategic goal and independence	Accountability and Value for Money	Delivery of Functions	Community/respondent views	OVERALL CONCLUSION	Comments
<b>Move to voluntary sector</b>	-	--	/	/	-	Could continue to deliver functions, but would lead to a disconnect between its work and government's strategic goals. Would significantly reduce accountability and ability to drive value for money improvements. No obvious existing charity exists.
<b>Merge into a single NDPB</b>	-	-	/	-	-	Significant cost and disruption of restructure likely to hinder ability to drive cost savings through current

Table 7: Delivery model	Strategic goal and independence	Accountability and Value for Money	Delivery of Functions	Community/respondent views	OVERALL CONCLUSION	Comments
						structures. Would be opposed by community.
<b>Restructure into fewer Councils</b>	/	-	/	-	-	No obvious synergies between current Councils that provide a compelling case for merger. Significant cost and disruption of restructure in affected Councils likely to hinder ability to drive cost savings through current structures. Would be opposed by community.
<b>Merge with another body (HEFCE/TSB)</b>	+	/	-	--	-	Could increase strategic coordination of Research spending, but at risk of loss of focus on individual elements. Would be strongly opposed by community as attack on dual-funding/Haldane. Cost of disruption likely to be significant.
<b>Maintain the status quo</b>	/	/	/	/	/	Preferred option

- ++ Strong improvements over status quo
- + Improvements over status quo
- / Broadly equivalent to status quo
- Disadvantages compared to status quo
- Strong disadvantages compared to status quo

**Recommendation 1.10: The current balance of costs against benefits means that we do not recommend a change to the current number of seven Research Councils, and that we recommend that the Research Councils should be retained as NDPBs. However, this should be revisited at the next Triennial Review to determine whether the position has changed.**

# Conclusions and recommendations

**230.** The UK has one of the strongest research bases in the world. A 2011 study<sup>32</sup> notes that UK researchers “generate more articles per researcher, more citations per researcher, and more usage per article authored” than those in any other country.

**231.** The government has identified science and research spending as a priority in a time of declining budgets: in 2010 George Osborne decided to keep the resource science budget steady in cash terms, stating that “Britain is a world leader in scientific research and that is vital to our future economic success”. The Research Councils are at the heart of UK science, research and innovation and play a vital role in driving this academic success and associated economic benefit. Although in some cases their structure and form has varied, they largely have long historical roots, and have built up prestigious reputations and strong relationships in their respective academic communities. This brings tangible benefits – for instance that academics are prepared to provide unpaid peer review for the Councils – as well as improving the UK’s prestige and international reputation in less measurable ways.

**232.** The views collected as part of this review strongly suggest that a significant majority of stakeholders of all kinds are broadly content with the objectives set out in the Royal Charter. The evidence collected from respondents points strongly towards the functions of the Research Councils being appropriate to underpin the UK’s research base and the contribution it makes to the economic and societal success of the country.

**233.** Where issues were raised this was largely in terms of ensuring that emerging priorities are properly emphasised, rather than changing the direction of the Councils or arguing they were no longer needed. Those who felt the Councils could be better aligned largely felt that it was the second or third objectives that suffered rather than the first. Greater clarity on how Councils prioritise between these objectives would therefore seem to be helpful. Were that transparency to be achieved, there was broad agreement that it was preferable for the different functions of the Research Councils to remain within the Research Councils as there were advantages identified in being able to draw most efficiently on the expertise needed.

**234.** There was strong consensus that the Research Councils operate effectively in fulfilling their functions, spend a low proportion (by international standards) of their budget on administration and that the case for merging or otherwise reducing the number of Councils did not outweigh the significant costs and disruption that this would cause. The most prominent area of concern raised in this theme was interdisciplinary work where, despite some improvements in recent years, many respondents considered that significant numbers of high quality proposals were still not being funded.

**235.** Since the inception of RCUK following 2001’s Quinquennial Review, it was felt that it had made strides in coordinating the seven Research Councils and that its basic role is fit-for-purpose, important and valued. However, it has emerged in the evidence that its

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<sup>32</sup> [https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/32489/11-p123-international-comparative-performance-uk-research-base-2011.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/32489/11-p123-international-comparative-performance-uk-research-base-2011.pdf)



role may need to be more clearly defined and that there is still work to be done to increase visibility and raise awareness and understanding. It was also felt that RCUK could help Research Councils to find further opportunities to harmonise systems and share best practice, such as with regards to the funding of interdisciplinary research and application processes as identified above.

**236.** More recently, the Research Councils have made significant improvements in several areas of particular importance to government. Evidence provided by both RCUK's and the UK Shared Business Services's response to the consultation on the triennial review indicate that management of administrative costs associated with the UK Research Councils compare favourably to very favourably with other similar organisations both nationally and internationally. Several business respondents to the Review also noted that the Councils were working increasingly with the private sector, and the importance of research having clear routes to impact has been underlined in recent years, becoming part of the process of funding allocation for responsive research, as well as driving increasing engagement with the TSB. Nevertheless, it was clear from the evidence gathered during the review that, although the objectives and structure of the Research Councils are basically sound and seem to be delivered in a cost effective manner, there are aspects of the way in which the Research Councils carry out their functions that would benefit from closer attention.

**237.** This review is therefore working in the context of long-term core strengths of the Research Councils, such as strong academic and business links and a track record of funding internationally excellent research, and many of the changes in areas including greater efficiencies and closer working with business are extensions of improvements that are currently in train. Therefore, we are not recommending changes to either the function or the form of the Research Councils.

## Recommendations

### **1.1 Objectives and Success criteria**

Currently there is no clarity as to the relative balance of the three Royal Charter objectives, and the relative balance of resources that should be allocated to each function to ensure best value for money, including a consideration of opportunity costs. A similar lack of clarity was also evident between the roles of the Research Councils themselves and those of the broader research community, particularly concerning the fulfilment of the second and third Royal Charter objectives. The lack of clear success criteria or metrics, other than around citations, made it very difficult to establish the Research Councils' performance over time, or whether some Research Councils or disciplines are performing better than others.

**The Research Councils should explicitly consider the relative balance of activities and resource that should be devoted to each of their Royal Charter objectives, and agree with BIS a performance management framework that includes a clear picture of success, including quantitative metrics that would allow an evaluation of whether success had been achieved.**

## **1.2 Strategic Engagement**

It does not appear that the Research Councils take as proactive a role as they might in both responding to and also proactively challenging and shaping the Government's research agenda, in areas of long-term strategic importance. This acts to the detriment of both government and the research community and it is in the interests of both the Research Councils and government that this relationship works well. Where the Research Councils have responded to strategic agenda, such as through the six cross-cutting themes, it was not always clear how these had been arrived at or how successful they had been.

**The Research Councils and government Departments, led by BIS, should inject greater clarity into the process whereby the Research Councils interact with government to address matters of strategic importance and determine strategic priorities, with the aim of enabling the Research Councils to take on a stronger and more influential role in both responding to and proactively shaping the research agenda.**

## **1.3 'Any Means'**

The Research Councils have significantly increased their joint working with the TSB and work well in partnership with businesses and charitable organisations across a range of sectors to fund quality research and attract the best people to carry out the work. However, it was not clear from the review that the Research Councils had fully explored the range of options available to them given that the Royal Charter permits the Research Councils to support research by 'any means'.

**Given that the Royal Charter permits the Research Councils to support research by 'any means', the Research Councils should consider, in conjunction with BIS Research Base, greater partnership working provided that these partners meet the existing high criteria of excellence, peer review endorsement and open dissemination of results. Specifically, this should include: a review of grant eligibility criteria; greater joint working with the TSB and leverage of private sector funding,**

## **1.4 Research Council Institutes**

As the Research Councils are currently conducting an existing series of reviews of their Research Council Institutes, this Review has not considered the case of individual Institutes in detail.

**The relevant Research Councils should ensure their ongoing reviews of Research Institutes fully take into account the principles embedded in the Cabinet Office guidance on Triennial Reviews, considering the full range of alternative delivery models, whilst also taking into account the potential industrial and national strategic capabilities that these Institutes underpin. These reviews should all be completed by the end of 2013.**

### **1.5 Interdisciplinary Research**

There was widespread concern about the way in which the current system funds interdisciplinary research, and is concerned at the potential behavioural impacts that this perception might be having.

**The Research Councils and BIS should review, with input from the Funding councils and the Academies, the extent to which the concerns over interdisciplinary research are a real or a perceived problem, and should explore whether funding streams need to be revised to ensure disciplinary boundaries do not inhibit the funding of the best research proposals. In particular, serious consideration should be given to a time limited trial of an intervention specifically aimed at eliciting more interdisciplinary research, such as a challenge fund dedicated solely to responsive mode interdisciplinary projects.**

## **Co-ordination and Co-operation between Research Councils**

### **1.6 Corporate Services**

The Research Councils have driven significant administrative cost savings over recent years, principally through the establishment of the Shared Services Centre (now UK Shared Business Services (UK SBS)). However, corporate functions extend further and there would be merit in a review to identify synergies and opportunities for services to be delivered differently to achieve a stronger and more integrated system. For example, there remain around 60 FTE within retained Finance functions in the Research Councils (with a further 130 FTE in institutes), and there are communications services which could be improved upon if delivered on behalf of the Research Councils as a group. The review should examine how Research Council corporate services can best support delivery of the Royal Charter Objectives and options for further rationalisation and greater sharing of corporate functions at the strategic and policy, as well as the transactional level. In addition, there should be consideration given to the measurement of administrative costs across the research system.

**The Corporate Services Portfolio Board within BIS should work with the Research Councils to evaluate retained corporate functions and take forward a Business Case for further reform. The Research Councils should work with BIS and the Higher Education Funding Councils to better understand the full administrative costs of their work on the research system as a whole to enable areas for efficiency to be identified.**

### **1.7 Policies, Processes and Procedures**

Significant differences in approach and procedures exist between the Research Councils which can form a barrier to effective engagement by clients, partners and researchers. Such differences, including different mechanisms for monitoring the impact of research, different specification documents for studentships and differing approaches to funding mechanisms not only add to the administrative costs of the Research Councils, but can introduce unintended consequences and significantly increase the burden on academic researchers and on universities.

**The Research Councils should comparatively review their policies, processes and procedures with particular reference to the consistency issues detailed on page 51 of this report and informed by work on total administrative costs to the system (Recommendation 1.6). They should set out a clear timetable for harmonisation or standardisation, unless there are clear and unambiguous reasons why this would be detrimental to the underlying research activities being carried out in research organisations. The Research Councils should conduct regular and effective peer review by Research Councils of each other's activities and processes, to ensure that best practice is shared and implemented.**

### **1.8 & 1.9 RCUK and the Role of the DG Knowledge and Innovation**

RCUK is a forum that reaches decisions by consensus. This approach can make it harder to resolve conflicts and tensions where they arise. The lack of a true leader can make it more difficult to make difficult strategic decisions as well as leading to the proliferation of procedural inefficiencies discussed above. While the Research Councils need to retain operational autonomy consistent with the Haldane principle, there is a need for greater strategic joining up between the council.

**The Review's preliminary view is that there needs to be a stronger formal role for the BIS DG Knowledge and Innovation in ensuring that where there is a tension between the interests of different councils there is an effective route to resolve those tensions – while still respecting the principle that individual research funding decisions are kept at arms length from government.**

**The Research Council Chairs should interact with one another more frequently to explore more coordinated or federal approaches to Research Council activities. This may have implications for the terms under which Chairs are appointed.**

The Review will consider the latter two points further in Phase II.

### **1.10 Form and Function**

The policy framework that determines the context for the Triennial Review is set out in the Haldane Principle, which states that decisions on individual research proposals are best taken by researchers themselves through peer review. Respondents were overwhelmingly supportive of independence on what research to fund, but most recognised that there was some role for government in setting strategy and direction. It is fundamentally this issue of balancing independence and strategic direction that underpins the arguments for Councils rather than the functions moving to the private or voluntary sectors or being fully absorbed into government.

Furthermore, there is evidence that the management of administrative costs associated with the UK Research Councils compare favourably to other similar organisations both nationally and internationally. It is not clear that merging two or more Research Councils would drive additional savings, as unless there are natural synergies – which the majority of respondents suggested there were not – international comparators suggest that administrative disciplinary divisions would simply be replicated within the new

organisations. The Research Councils have in recent years driven significant cost savings through the establishment of the UK Shared Business Services and there are opportunities for further savings, in both corporate services and at the sub-Research Council level. It appears likely that greater savings could be achieved by continuing to drive efficiencies through this method, rather than through mergers, particularly given the significant costs and disruption associated with the latter.

**The current balance of costs against benefits means that we do not recommend a change to the current number of seven Research Councils, and that we recommend that the Research Councils should be retained as NDPBs. However, this should be revisited at the next Triennial Review to determine whether the position has changed.**

# Stage Two: Introduction

**238.** This section sets out the findings of Stage Two of the Review.

**239.** Stage Two of the triennial review examined compliance with recognised principles of good corporate governance. This included requirements on openness, transparency and accountability, including ensuring that the right relationship was in place between the NDPB and the parent Department. The assessment is summarised below, and set out in detail in Annexes E-M. It covers the following areas:

- Statutory accountability, such as compliance with relevant legal requirements and best practice;
- Accountability for public money, including appropriate arrangements to ensure that public funds are properly safeguarded and deliver value for money; public money is used economically, efficiently and effectively and for the purposes expected;
- Ministerial accountability, including, amongst other things, ensuring that Ministers and the department exercise appropriate scrutiny
- Establishing clear roles for the Sponsoring Department, NDPB Board and Board members that ensure robust governance arrangements and high performance including arrangements for making decisions on capacity and capability;
- Ensuring that effective systems of financial management and internal control are in place;
- Ensuring that the public body is open, transparent, accountable and responsive, e.g. clear and effective channels of communication with stakeholders; and
- Ensuring that the Board and staff work to the highest personal and professional standards.

**240.** The stakeholder input received in Stage One provided a useful additional source of material for considering the issues to be covered in Stage Two. For example, evidence from Stage One highlighted the need for a clear performance management framework for the Research Councils, as well as areas where the Research Councils needed to work more closely together as Research Councils UK.

**241.** As well as reviewing each Council independently the review team took a view on how the Research Councils together, under the umbrella of RCUK, measured up against the Stage Two criteria. Given the complex and informal interrelationships between the Councils, this required a level of judgement.

**242.** The review team's findings are considered in the following section of the report.

# Assessment of good corporate governance

**243.** The detailed assessments are recorded in Annexes E-M and the main findings are summarised below. The review team concluded that whilst individually the Research Councils are operating from a position of strength and, within the terms of the assessment questions themselves, all are largely rated Green. However, the review team believe that the overall rating for compliance should be scored as Amber/Green. This reflects our view that improvements need to be made in some key areas of collective activity and in relation to the need for an improved performance management framework (a key recommendation from Stage One of the Review).

## Statutory Accountability, Accountability for Public Money and Ministerial Accountability

**244.** The review team found that, individually, all Research Councils were fully compliant in all basic required aspects of statutory accountability i.e. Green, with the exception of the MRC, who are not currently fully compliant with one aspect of accountability relating to the Data Protection Act. This non-compliance arose from the transfer of records from the systems run by the former MRC Shared Services Centre (SAP based) to the systems run by the UKSBS (Oracle based). However, remedial action is being taken and a follow up audit has been commissioned.

**245.** When looking in more depth into accountability of the Research Councils , in particular as a group, the review team found two key areas where improvements need to be made, and it is because of these that an overall rating of amber/green has been awarded for this section of the Stage Two report. Those areas are:

- Development of an improved performance management framework i.e one that comprehensively covers all 3 objectives, particularly Objectives 2 and 3 on impact and communication that will facilitate decisions on the relative prioritisation and allocation of resources between activities.
- Improved arrangements to ensure best use of public money at a cross-Council level.

**246.** All Research Councils have comprehensive publication schemes and proactively release information that is of legitimate public interest. However, the effectiveness of this communication function should be considered in the context of recommendation 1.1 from Stage One of this Review, which recommended that Research Councils consider the relative balance of activities devoted to each of their Royal Charter objectives.

**247.** The review team noted that performance was strong on Freedom of Information requests, with a cross-Council audit in 2011-12 giving substantial assurance.

**248.** The review team also found that all Research Councils comply with the code of practice and regulations associated with the Public Records Acts 1958 and 1967, although



BBSRC, EPSRC and STFC are not formal signatories to the Public Records Act. These non-signatory Councils have themselves identified record management as an area for improvement and the review team suggest that this is addressed as part of the response to Stage Two of this Triennial Review.

**249.** Citations and other commonly used measures of Research Council achievement focus on the objective of excellence in research. The review team found that similar emphasis is not given to metrics for the other two Research Council objectives set out in Stage One. Stage One of the Review therefore recommended that there should be other quantitative metrics that allow for a stronger evaluation of whether success against all the Royal Charter objectives has been achieved; this recommendation should be borne in mind in relation to this area of governance and further measures which are put in place.

**250.** In addition, even for Objective 1 there is not sufficient discussion of what value the Research Councils and the sponsor team place on different outcomes. For example, many of the Research Councils refer to citation metrics as a positive evaluation measure in the context of accountability for public money. However, there is no *ex-ante* ranking by the Research Councils of the value of each outcome – in this example the different types of citations – has relative to other outcomes.

**251.** Also, there is insufficient description of what the Research Councils are doing in order to achieve these outcomes and, consequently, it reduces our ability to distinguish effectively between the contribution of Research Councils and other parts of the UK research infrastructure in delivering the outcomes. The review team recognise that evaluation metrics can only ever be a proxy for success and that there is a risk of creating perverse incentives if there are too many ‘measures’ or ‘targets’. However we consider that it would be appropriate to set out the values that are associated with particular outcomes and also to develop a broader set of evaluation measures that will better reflect the quality of the Research Councils’ contributions. This can then provide valuable information about how resources to be focused on the areas and activities where they can have the greatest value and impact.

**252.** Only if there is a clear *ex-ante* definition of what 'good' looks like can ex-post success be measured effectively.

**253.** Consequently, the review team recommends that developing a performance management framework which, (as well as evaluation measures mentioned above) articulates:

- what the Councils are seeking to achieve – the objectives
- how this will be achieved – the activities that the Research Councils undertake
- what success will look like – the value placed on outcomes
- how they will be held to account – how they report this information and how this feeds through into activities that the Research Councils carry out.

**254.** This should be a clear early priority for the Research Councils, working with the Department for Business, Innovation and Skills (BIS).

**255. The review team is confident that the Research Councils are compliant with the requirements for their annual accounts, and in the role the Chief Executives take as Accounting Officers.** The review team found that each Research Council, considered as an individual body, was fully compliant in all required aspects of accountability for public money and had appropriate arrangements in place to ensure good use of public money. At an individual level all are rated Green. **However, the review team found that the strong arrangements in place at individual Council level are not yet as effective at a cross-Council level, and have identified this as an area for improvement. Essentially, to ensure the most effective use of public funds at the collective level, Research Councils should work together as Research Councils UK.** This should include changes to the governance of RCUK Executive Group to charge the group with responsibility for delivering collective efficiency savings and transformational change across Research Councils. The review team recognise that Research Councils are already undertaking action to improve governance at the cross-Council level and welcome this.

**256.** Separately, the STFC has identified the operation of the Large Facilities Steering Group and the governance model for Diamond Light Source Ltd as areas where accountability and transparency could be improved.

**257.** The Large Facilities Steering Group (LFSG) has no executive responsibility, and accountability for the operation and governance of UK based science facilities remains within STFC. The Research Councils' interests are unevenly distributed across the facilities and the LFSG remit overlooks the research requirements of some key organisations, including the TSB and commercial companies. The RCUK Audit and Assurances Service Group undertook an audit of the operation of LFSG in the period January-March 2013 and recognised the limitations of the current LFSG model in terms of its governance arrangements. The review team believe that this provides a good starting point for a review of future structures.

**258.** Similarly, the model establishing Diamond as a separate limited company owned by STFC and Wellcome Trust has introduced some significant problems in relation to accountability and transparency: an extra layer of management, duplication of functions, barriers to science synergies with other facilities, lack of transparency in budgeting and management, potential confusion over the role of the Board and the Shareholders, and conflicts of interest.

**259.** The review team believe that these arrangements should be reviewed, in order that there are appropriate structures in place to deliver the best and most efficient use of the public funding, to clarify lines of accountability and to establish whether there is the right balance of contributions from external people, unconnected with the academic community. This influence is important to provide totally impartial investment expertise and the right mix of skills and experience to fully inform decisions.

**260. With respect to Ministerial accountability, the review team found that the Secretary of State and Sponsor exercise appropriate scrutiny and oversight of the Research Councils and found that there are a range of appropriate controls and safeguards in place to ensure that the Secretary of State is consulted on key decisions and can be properly held to account. The review team rated all Councils as Green for this.**

**261. The review team found that appointments to the Research Councils were made in line with statutory requirements.** Appointments to the Council are in accordance with the OCPA Code of Practice. Recruitment of Research Council Chief Executives is not covered by the OCPA Code but the Department for Business, Innovation and Skills uses a process analogous to it. **The review team rated all Councils as Green for this.**

**262.** The review team noted that there is strong Ministerial engagement with the work of the Research Councils, with frequent Ministerial meetings with Chief Executives and Chairs on topical issues as they arise. In addition, the Minister for Universities and Science has regular (bi-monthly) meetings with the seven Chief Executives as well as regular one-to-one meetings with the Chair of Research Councils UK. The Minister for Universities and Science also receives regular twice yearly updates on the performance of the Research Councils and upcoming issues and risks. The review team noted the strong level of engagement from the current Minister for Universities and Science and would suggest that this is very useful and should continue. All Councils are rated as Green for this. However, for the Research Councils to be fully accountable, this engagement needs to include a strategic element looking at how the councils are delivering the royal charter objectives, as well as individual outputs and issues. A clearer performance management framework would facilitate this.

### **Role of the Chair, Governing Board, Chief Executive Officer and Sponsor Team**

**263. The review team found that overall the leadership structure of the Research Councils, consisting of the Sponsor team, Chair, Chief Executives and Governing Board was appropriate with the key elements of governance in place and all Councils are individually rated as Green. Some concerns around Board reviews and the level of challenge that the sponsorship team is currently equipped to provide overall led the review team to award an Amber/Green rating for this section.**

**264.** The Governing Boards meet regularly (4-6 times per year), and have a strong non-executive presence to provide challenge to the Executive team. BIS has observer status to provide a government perspective. BIS also already has in place a formal process for receiving information from the Research Councils through the quarterly performance and risk reports. However, as noted earlier in the report, we believe that the existing performance metrics could be improved and we are recommending that a new performance management framework be put in place.

**265.** There are a number of areas of improvement that have already been identified by the Research Councils and BIS sponsor teams, and work is already underway to address this. The Codes of conduct, management strategies and financial memoranda are being updated across all Research Councils to ensure that they are up to date and consistent. BIS is considering introducing annual reviews of all Chairs, which is consistent with best practice across the Research Councils.

**266.** However, the review team noted that at the time of the assessment there was an inconsistency in the process for appraising the effectiveness of the board. Four undertake self assessments, while others have independent reviews. The Research Councils should all consider undertaking independent reviews at regular intervals, in line with best practice.

**267.** Regarding the Board size and composition, greater clarity is needed on the role of the Board and whether its function is to be consultative or to challenge. If it is the latter, this typically lends itself to a smaller size of Board and a greater mix of skills and experience. We observe that currently the Boards are large and understand that this is per the formal requirements of the Councils' Royal Charters. However, many of the non-executive members come from the relevant subject area and three of the Chairs will have been in place for over 8 years at the end of their current term. One approach would be to pick this up through the Board reviews, which would typically look at the mix of skills and experience of Boards.

**268.** Currently, with the exception of STFC, the Chief Executives are the Deputy Chair of each Board (as *per* the formal requirements of the Councils' Royal Charters). As this typically includes standing in for the Chair when they cannot attend Board meetings the Review team believes this role might be more appropriately carried out by a non-executive member of the Board, reflecting best practice in corporate governance.

**269.** Areas of the sponsorship function are recognised as being very strong, for example, the sponsorship team has strong financial controls, but they may want to consider if there are further benefits from an alternative sponsor team structure. In general, the shareholder/sponsor function within BIS is currently the responsibility of the relevant policy team. However there are examples elsewhere in government (e.g. the Royal Mint) where the policy and shareholder/sponsor functions are separated. The potential benefits of this are that it recognises that different skills are required for each, and thereby reduces the potential risk of 'capture' of the sponsor who might be conflicted by shared policy goals. The Research Base might want to consider whether this approach might allow them to develop a sponsorship function which operates across all councils (whose skills are focused on finance/governance rather than policy) that might potentially improve BIS's ability to spot common issues across Research Councils. The review team recommends that Research Base should, as part of the ongoing BIS review of effective sponsorship arrangements, undertake a full options analysis of whether there are further benefits from an alternative sponsor team structure, for example, separating the policy and shareholder/sponsor functions.

## Effective Financial Management

**270.** The review team has found that effective systems of financial management and internal controls are in place for the seven Research Councils, and that all are fully requirement with the financial management requirements. In particular, all Research Councils have a clear system of regular risk review, carried out by Audit Committees with independent membership, and working with the NAO.

**271.** This aspect of the Research Councils has been assessed as Green overall and for each Council.

**272.** The team also notes that BBSRC, MRC and STFC have had reviews of their financial management commissioned by BIS and conducted by Deloitte, and that all Councils came out as 'advanced to leading', with particularly strong performance on risk management and the application of financial controls.

**273.** Some aspects of financial management are delivered in part by bodies outside of the individual Councils, including BIS, the Shared Business Services UK and the Research

Councils' Audit and Assurance Services Group. This seems a suitable approach given the similarities between the Councils, and the team would welcome BIS working with RCUK and the Councils to seek further opportunities to pool resources or share best practice.

**274.** We note that there was a recent attempted fraud relating to payments from STFC. The incident involved the processes operating within UK SBS, and so while it was outside of the internal controls of any of the Research Councils, it suggested a potential risk to all of them. All the Research Councils therefore logged this in their 2012-13 annual reports, and they have worked with the SBS and the cross-cutting Audit and Assurance Services group to ensure that any exposures to risk of fraud are identified and addressed.

## Communications and Engagement

**275.** The review team concluded that the Research Councils were largely compliant with requirements under the communications and engagement section of Stage Two, so have awarded an overall Green rating and for each Council (subject to some suggested areas for improvement discussed below).

**276.** Effective communication and exploitation of research is one of the three Royal Charter objectives, and this is reflected in the Research Councils' commitment to openness and stakeholder engagement. The review team noted that all but one Research Council have communications strategies, and the remaining one is in the process of developing one. Different Research Councils use various formats and media, with 'Digital by Default' being a growing strength.

**277.** Recommendation 1.1 of Stage One of the Triennial Review was for the Research Councils to clarify the balance between the Royal Charter objectives and ensure that there are suitable performance metrics in place for them. The review team feels that communications strategies should be looked at again in light of that work. We feel that this should bring further clarity on how communication and engagement activities contribute to the delivery of the Royal Charter objectives, as well as offering the opportunity to take a strategic view on which activities should be performed at the individual Council level and which would be more effective and efficient if delivered on a cross-Council basis.

**278.** The review team found that while engagement with stakeholders to further the public understanding of research was a clear priority for the Research Councils, performance on strategic engagement – for example with regards to business planning and directional decision making – was less consistent. We note that AHRC, BBSRC and STFC all commit to reviewing their position on not holding open Board meetings. We recommend that EPSRC commits to a similar review and that these reviews take into account the experiences of the remaining Research Councils in running their open meetings. Further, the review team recommend that the Research Councils make a clear distinction in their planning between activity which directly contributes to the fulfilment of their objectives and that which allows them to seek good quality input from stakeholders on their strategic direction and decisions. This will ensure that the latter receives a suitable level of priority.

## Conduct and Propriety

**279.** The Research Councils have in place the majority of requirements to comply with basic standards of conduct and propriety governance. They each have Codes

**of Conduct which are well promoted within organisations, for example, STFC and EPSRC both include reminders of elements of their Codes at each Board meeting. Therefore, the review team have awarded an overall Green rating and for each Council for this section of Stage Two.**

**280.** One concern which arose under conduct and propriety was around the rules concerning appointments following resignation or retirement from a position in one of the Research Councils. BBSRC and NERC have rules in place for Board members but not senior staff, EPSRC do not have express provisions, while MRC set out that staff may not use or gain from any information they were party to as an employee. The review team recommends that the Research Councils look at rules for staff and Board members after resignation or retirement to clarify this point.

**281.** The questions in this section also cover conflicts of interest. Each Research Council has satisfactory guidelines for Board members and senior staff. However, potential for conflicts of interest were found in relation to the governance model for Diamond and evidence was also submitted in Stage One of the Review that suggested concerns in the stakeholder community with regard to certain capital investment decisions. Recommendations to address this are included in the section above on accountability for public money.



# Conclusion and recommendations

**282.** The review team concluded that the Research Councils demonstrate a high level of overall compliance with the recognised principles of good corporate governance and that, within the scope of the assessment questions themselves, individually each Council is rated as Green. However, the review team has identified improvements which need to be made in some key areas of collective activity and in relation to the need for an improved performance management framework for each Research Council. For these reasons, we have awarded an overall rating of Amber/Green.

## Recommendations

### **2.1, 2.2 & 2.3 Statutory Accountability, Accountability of Public Money and Ministerial Accountability**

**[2.1]** Much of the improvement needed identified in Stage Two depends upon the outcomes of the first recommendation of Stage One of the review: *the Research Councils should explicitly consider the relative balance of activities and resource that should be devoted to each of their Royal Charter objectives, and agree with BIS a performance management framework that includes a clear picture of success, including quantitative metrics that would allow an evaluation of whether success had been achieved.* For this reason, it is the **key recommendation of Stage Two that work to establish such an improved framework be pursued by the Research Councils and BIS as a priority.** We are confident that further improvements will flow from this, and that the overall position will be strengthened as a result.

**[2.2]** Work already underway should continue to **improve arrangements to ensure the best use of public money at a cross-Council level**

**[2.3]** **Arrangements for the RCUK's Large Facilities Steering Group and the governance model for Diamond Light Source Ltd should be reviewed,** in order to ensure that there are appropriate structures in place to deliver the best and most efficient use of the public funding, to clarify lines of accountability and to establish whether there is the right balance of contributions from external people, unconnected with the academic community

### **2.4, 2.5 and 2.6 Board reviews**

**[2.4]** **All Research Councils should consider undertaking independent reviews to appraise the effectiveness of their board at regular intervals, in line with best practice**

**[2.5]** **There should be greater clarity on the role of the Board and whether its function is to be consultative or to challenge (one approach would be to pick this up**



through the Board reviews, which would typically look at the mix of skills and experience of Boards).

**[2.6] BIS and the Research Councils should consider the current requirements of the Councils' Royal Charters and (with the exception of the STFC) whether the role of Deputy Chair of the Board might be more appropriately carried out by a non-executive member of the Board (rather than the Chief Executive), reflecting best practice in corporate governance**

### **2.7, 2.8 & 2.9 Communications and Engagement**

**[2.7] Research Councils should review their communications strategies in light of their work to clarify the balance between the Royal Charter objectives and ensure that there are suitable performance metrics in place for them.** This should bring further clarity on how communication and engagement activities contribute to the delivery of the Royal Charter objectives, as well as offering the opportunity to take a strategic view on which activities should be performed at the individual Council level and which would be more effective and efficient if delivered on a cross-Council basis.

**[2.8] EPSRC should commit to a review of its position not to hold open Board meetings,** taking into account the experiences of the remaining Research Councils in running their open meetings.

**[2.9] Research Councils should make a clear distinction in their engagement planning between activity which directly contributes to the fulfilment of their objectives and that which allows them to seek good quality input from stakeholders on their strategic direction and decisions.** This will ensure that the latter receives a suitable level of priority.

### **2.10 & 2.11 Conduct and Propriety**

**[2.10] Research Councils should review rules for staff and Board members after resignation or retirement.**

**[2.11] Finally, the review team recommends that Research Base should, as part of the ongoing BIS review of effective sponsorship arrangements, undertake a full options analysis of whether there are further benefits from an alternative sponsor team structure,** for example, separating the policy and shareholder/sponsor functions.

# Consolidated List of Recommendations from Stages One and Two

## Stage One recommendations:

### 1.1 Objectives and Success criteria

Currently there is no clarity as to the relative balance of the three Royal Charter objectives, and the relative balance of resources that should be allocated to each function to ensure best value for money, including a consideration of opportunity costs. A similar lack of clarity was also evident between the roles of the Research Councils themselves and those of the broader research community, particularly concerning the fulfilment of the second and third Royal Charter objectives. The lack of clear success criteria or metrics, other than around citations, made it very difficult to establish the Research Councils' performance over time, or whether some Research Councils or disciplines are performing better than others.

**The Research Councils should explicitly consider the relative balance of activities and resource that should be devoted to each of their Royal Charter objectives, and agree with BIS a performance management framework that includes a clear picture of success, including quantitative metrics that would allow an evaluation of whether success had been achieved.**

### 1.2 Strategic Engagement

It does not appear that the Research Councils take as proactive a role as they might in both responding to and also proactively challenging and shaping the Government's research agenda, in areas of long-term strategic importance. This acts to the detriment of both government and the research community and it is in the interests of both the Research Councils and government that this relationship works well. Where the Research Councils have responded to strategic agenda, such as through the six cross-cutting themes, it was not always clear how these had been arrived at or how successful they had been.

**The Research Councils and government Departments, led by BIS, should inject greater clarity into the process whereby the Research Councils interact with government to address matters of strategic importance and determine strategic priorities, with the aim of enabling the Research Councils to take on a stronger and more influential role in both responding to and proactively shaping the research agenda.**

### **1.3 'Any Means'**

The Research Councils have significantly increased their joint working with the TSB and work well in partnership with businesses and charitable organisations across a range of sectors to fund quality research and attract the best people to carry out the work. However, it was not clear from the review that the Research Councils had fully explored the range of options available to them given that the Royal Charter permits the Research Councils to support research by 'any means'.

**Given that the Royal Charter permits the Research Councils to support research by 'any means', the Research Councils should consider, in conjunction with BIS Research Base, greater partnership working provided that these partners meet the existing high criteria of excellence, peer review endorsement and open dissemination of results. Specifically, this should include: a review of grant eligibility criteria; greater joint working with the TSB and leverage of private sector funding,**

### **1.4 Research Council Institutes**

As the Research Councils are currently conducting an existing series of reviews of their Research Council Institutes, this Review has not considered the case of individual Institutes in detail.

**The relevant Research Councils should ensure their ongoing reviews of Research Institutes fully take into account the principles embedded in the Cabinet Office guidance on Triennial Reviews, considering the full range of alternative delivery models, whilst also taking into account the potential industrial and national strategic capabilities that these Institutes underpin. These reviews should all be completed by the end of 2013.**

### **1.5 Interdisciplinary Research**

There was widespread concern about the way in which the current system funds interdisciplinary research, and is concerned at the potential behavioural impacts that this perception might be having.

**The Research Councils and BIS should review, with input from the Funding councils and the Academies, the extent to which the concerns over interdisciplinary research are a real or a perceived problem, and should explore whether funding streams need to be revised to ensure disciplinary boundaries do not inhibit the funding of the best research proposals. In particular, serious consideration should be given to a time limited trial of an intervention specifically aimed at eliciting more interdisciplinary research, such as a challenge fund dedicated solely to responsive mode interdisciplinary projects.**

## **Co-ordination and Co-operation between Research Councils**

### **1.6 Corporate Services**

The Research Councils have driven significant administrative cost savings over recent years, principally through the establishment of the Shared Services Centre (now UK Shared Business Services (UK SBS)). However, corporate functions extend further and there would be merit in a review to identify synergies and opportunities for services to be delivered differently to achieve a stronger and more integrated system. For example, there remain around 60 FTE within retained Finance functions in the Research Councils (with a further 130 FTE in institutes), and there are communications services which could be improved upon if delivered on behalf of the Research Councils as a group. The review should examine how Research Council corporate services can best support delivery of the Royal Charter Objectives and options for further rationalisation and greater sharing of corporate functions at the strategic and policy, as well as the transactional level. In addition, there should be consideration given to the measurement of administrative costs across the research system.

**The Corporate Services Portfolio Board within BIS should work with the Research Councils to evaluate retained corporate functions and take forward a Business Case for further reform. The Research Councils should work with BIS and the Higher Education Funding Councils to better understand the full administrative costs of their work on the research system as a whole to enable areas for efficiency to be identified.**

### **1.7 Policies, Processes and Procedures**

Significant differences in approach and procedures exist between the Research Councils which can form a barrier to effective engagement by clients, partners and researchers. Such differences, including different mechanisms for monitoring the impact of research, different specification documents for studentships and differing approaches to funding mechanisms not only add to the administrative costs of the Research Councils, but can introduce unintended consequences and significantly increase the burden on academic researchers and on universities.

**The Research Councils should comparatively review their policies, processes and procedures with particular reference to the consistency issues detailed on page 51 of this report and informed by work on total administrative costs to the system (Recommendation 1.6). They should set out a clear timetable for harmonisation or standardisation, unless there are clear and unambiguous reasons why this would be detrimental to the underlying research activities being carried out in research organisations. The Research Councils should conduct regular and effective peer review by Research Councils of each other's activities and processes, to ensure that best practice is shared and implemented.**

### **1.8 & 1.9 RCUK and the Role of the DG Knowledge and Innovation**

RCUK is a forum that reaches decisions by consensus. This approach can make it harder to resolve conflicts and tensions where they arise. The lack of a true leader can make it more difficult to make difficult strategic decisions as well as leading to the proliferation of

procedural inefficiencies discussed above. While the Research Councils need to retain operational autonomy consistent with the Haldane principle, there is a need for greater strategic joining up between the council.

**[1.8] The Review's preliminary view is that there needs to be a stronger formal role for the BIS DG Knowledge and Innovation in ensuring that where there is a tension between the interests of different councils there is an effective route to resolve those tensions – while still respecting the principle that individual research funding decisions are kept at arms length from government.**

**[1.9] The Research Council Chairs should interact with one another more frequently to explore more coordinated or federal approaches to Research Council activities. This may have implications for the terms under which Chairs are appointed.**

The Review will consider the latter two points further in Phase II.

### **1.10 Form and Function**

The policy framework that determines the context for the Triennial Review is set out in the Haldane Principle, which states that decisions on individual research proposals are best taken by researchers themselves through peer review. Respondents were overwhelmingly supportive of independence on what research to fund, but most recognised that there was some role for government in setting strategy and direction. It is fundamentally this issue of balancing independence and strategic direction that underpins the arguments for Councils rather than the functions moving to the private or voluntary sectors or being fully absorbed into government.

Furthermore, there is evidence that the management of administrative costs associated with the UK Research Councils compare favourably to other similar organisations both nationally and internationally. It is not clear that merging two or more Research Councils would drive additional savings, as unless there are natural synergies – which the majority of respondents suggested there were not – international comparators suggest that administrative disciplinary divisions would simply be replicated within the new organisations. The Research Councils have in recent years driven significant cost savings through the establishment of the UK Shared Business Services and there are opportunities for further savings, in both corporate services and at the sub-Research Council level. It appears likely that greater savings could be achieved by continuing to drive efficiencies through this method, rather than through mergers, particularly given the significant costs and disruption associated with the latter.

**The current balance of costs against benefits means that we do not recommend a change to the current number of seven Research Councils, and that we recommend that the Research Councils should be retained as NDPBs. However, this should be revisited at the next Triennial Review to determine whether the position has changed.**

## Stage Two recommendations

### **2.1, 2.2 & 2.3 Statutory Accountability, Accountability of Public Money and Ministerial Accountability**

**[2.1]** Much of the improvement needed identified in Stage Two depends upon the outcomes of the first recommendation of Stage One of the review: *the Research Councils should explicitly consider the relative balance of activities and resource that should be devoted to each of their Royal Charter objectives, and agree with BIS a performance management framework that includes a clear picture of success, including quantitative metrics that would allow an evaluation of whether success had been achieved.* For this reason, it is the **key recommendation of Stage Two that work to establish such an improved framework be pursued by the Research Councils and BIS as a priority.** We are confident that further improvements will flow from this, and that the overall position will be strengthened as a result.

**[2.2]** Work already underway should continue to **improve arrangements to ensure the best use of public money at a cross-Council level**

**[2.3]** **Arrangements for the RCUK's Large Facilities Steering Group and the governance model for Diamond Light Source Ltd should be reviewed,** in order to ensure that there are appropriate structures in place to deliver the best and most efficient use of the public funding, to clarify lines of accountability and to establish whether there is the right balance of contributions from external people, unconnected with the academic community

### **2.4, 2.5 and 2.6 Board reviews**

**[2.4]** **All Research Councils should consider undertaking independent reviews to appraise the effectiveness of their board at regular intervals, in line with best practice**

**[2.5]** **There should be greater clarity on the role of the Board and whether its function is to be consultative or to challenge (one approach would be to pick this up through the Board reviews, which would typically look at the mix of skills and experience of Boards).**

**[2.6]** **BIS and the Research Councils should consider the current requirements of the Councils' Royal Charters and (with the exception of the STFC) whether the role of Deputy Chair of the Board might be more appropriately carried out by a non-executive member of the Board (rather than the Chief Executive), reflecting best practice in corporate governance**

### **2.7, 2.8 & 2.9 Communications and Engagement**

**[2.7]** **Research Councils should review their communications strategies in light of their work to clarify the balance between the Royal Charter objectives and ensure that there are suitable performance metrics in place for them.** This should bring further clarity on how communication and engagement activities contribute to the delivery of the Royal Charter objectives, as well as offering the opportunity to take a strategic view



on which activities should be performed at the individual Council level and which would be more effective and efficient if delivered on a cross-Council basis.

**[2.8] EPSRC should commit to a review of its position not to hold open Board meetings**, taking into account the experiences of the remaining Research Councils in running their open meetings.

**[2.9] Research Councils should make a clear distinction in their engagement planning between activity which directly contributes to the fulfilment of their objectives and that which allows them to seek good quality input from stakeholders on their strategic direction and decisions.** This will ensure that the latter receives a suitable level of priority.

#### **2.10 & 2.11 Conduct and Propriety**

**[2.10] Research Councils should review rules for staff and Board members after resignation or retirement.**

**[2.11] Finally, the review team recommends that Research Base should, as part of the ongoing BIS review of effective sponsorship arrangements, undertake a full options analysis of whether there are further benefits from an alternative sponsor team structure**, for example, separating the policy and shareholder/sponsor functions.



# Concluding remarks

**283.** The Triennial Review process, established by the Cabinet Office and implemented by BIS, places considerable weight on the delivery of an independent, evidence based review on the form and function of Non-Departmental Public Bodies. This review has been conducted by a review team drawn from across BIS, who were independent of the Research Councils and the BIS sponsor team responsible for overseeing the Research Councils. This ensured that the review took a fresh, broad look at both the function and form of the Research Councils and their governance.

**284.** At the start of the review, every effort was made to seek the views of a wide range of external stakeholders and we are extremely grateful for the input received and for the time that many correspondents have taken to answer questions and to discuss the issues with us. This input received, including from the Challenge Panel, was invaluable in helping shape the review and provided the evidence needed in order to reach what we believe are clear and robust conclusions.

**285.** Throughout this review we have ensured that the Research Councils have been kept informed of our thinking and have been able to comment on the facts and figures used in the report as appropriate. We have been very much encouraged by the positive and proactive manner in which the Research Councils responded to the review.

# Annex A: Call for Evidence



Department  
for Business  
Innovation & Skills

## Triennial Review of the Research Councils: Call for Evidence

The Triennial Review of the Research Councils is one of the Department for Business, Innovation and Skills (BIS) reviews of non-departmental public bodies (NDPBs), in accordance with the Government's commitment to review public bodies, with the aim of increasing accountability for actions carried out on behalf of the state.

The review is occurring as scheduled during the second year of the programme (2012-13) and was announced by David Willetts, Minister for Universities and Science, by Written Ministerial Statement on 9<sup>th</sup> January.

The review is being conducted in two stages in accordance with Cabinet Office guidance which is available at: [http://resources.civilservice.gov.uk/wp-content/uploads/2011/09/triennial-reviews-guidance-2011\\_tcm6-38900.pdf](http://resources.civilservice.gov.uk/wp-content/uploads/2011/09/triennial-reviews-guidance-2011_tcm6-38900.pdf)

- Stage 1 will consider the core functions of the Research Councils, assess the need for these functions to continue and the structural options for continued delivery of these functions.
- If the conclusions of Stage 1 are that the Research Councils should continue as Non-Departmental Public Bodies, then Stage 2 will examine corporate governance arrangements.

Please note that this is not a review of the Government's underlying policy on the funding of the research base, but of the structures for its delivery.

During the course of the review the Government hopes to receive evidence from a wide variety of stakeholders. We would therefore be pleased to receive any information that any

party with an interest in the subject wished to submit the review. Topics on which we would be particularly grateful to receive evidence to inform the review include:

- The structure, governance and coordination of the Research Councils and the extent to which this contributes towards the successful delivery of their functions.
- The relationship between the Research Councils and other funding bodies, including governmental, private and third sector funders.
- The relationship between the Research Councils, those they fund, the ‘customers’ of research and the wider public and the extent to which these relationships enable the functions of the Research Councils to be delivered with maximum impact.

A detailed list of the questions we are seeking answers to may be found in the Annex, below. Please feel free to answer either some or all of the questions in your response.

Any responses to this call for evidence should be sent to the Triennial Review mailbox [RCTriennialReview@bis.gsi.gov.uk](mailto:RCTriennialReview@bis.gsi.gov.uk) by **28 February 2013**.

## ***Annex: Questions for Respondents***

Theme	Questions
<b>Purpose</b>	<ol style="list-style-type: none"> <li>1. Do the Royal Charter objectives for the Research Councils (below) need to continue to be delivered?</li> <li>2. How well aligned do you think Research Council priorities are with these Royal Charter objectives?</li> <li>3. How closely are and should Research Council research objectives be aligned with those of Government?</li> </ol>
<b>Effectiveness and efficiency</b>	<ol style="list-style-type: none"> <li>4. How effective are the Research Councils at delivering their objectives?</li> <li>5. Are the current disciplinary divisions appropriate to allow the Research Councils to foster excellence and innovation in the research base?</li> <li>6. To what extent is there duplication between the functions of the Research Councils (from promoting and support research through to advancing and disseminating knowledge, generating awareness and providing advice) and other providers in the sector?</li> <li>7. What is your view on whether seven Research Councils is the right number?</li> </ol>

Theme	Questions
<b>Interaction and coordination</b>	<p>8. How effective do you consider RCUK to be and why?</p> <p>9. Are there any functions currently performed by RCUK that you think should be performed at Research Council level or vice versa?</p> <p>10. Where do the Research Councils need to work in partnership and how good are the Research Councils at doing this?</p> <p>11. How good are the Research Councils at challenging the status quo – both in the sectors they support and in Government?</p> <p>12. Do the Research Councils have effective ways to share best practice?</p>
<b>Dissemination and communication</b>	<p>13. How do Research Councils ensure that use of research is maximised, including by those in other Councils, the private, public and third sector?</p> <p>14. How well do you think the funding mechanisms are understood by applicants (existing and new)?</p> <p>15. How well do you think Research Councils communicate with the general public?</p>
<b>Funding mechanism</b>	<p>16. Is the funding mechanism appropriately open to a range of institutions/researchers, including new entrants as well as incumbents?</p> <p>17. Does Research Council funding work well alongside block grants to institutions?</p>
<b>Economic Impact</b>	<p>18. How good is the UK at attracting private investment and human talent into research in comparison with other countries? What factors influence this?</p> <p>19. How effective is the funding mechanism at delivering value for public money and deciding the best targets for new research?</p> <p>20. How easy is it for UK businesses, individuals and policy makers to access the research base?</p>

## **Royal Charter objectives:**

- Promote and support research
- Advance knowledge, understanding and technology and provide trained researchers to meet needs and contribute to UK competitiveness, effectiveness of public services and policy, and to enhance quality of life and creative output of the nation
- In relation to this:
  - (i) generate public awareness;
  - (ii) communicate research outcomes;
  - (iii) encourage public engagement and dialogue;
  - (iv) disseminate knowledge; and
  - (v) provide advice.

# Annex B: List of respondents to the Call for Evidence\*

Type of stakeholder	Organisation
Government	Department for International Development
	Department for Employment and Learning
	Ministry of Defence
	Scottish Government
	Welsh Government
	Met Office
	NDPB's/Executive Agencies
	Technology Strategy Board
	Higher Education Funding Council for England
	Higher Education Funding Council for Wales
	UK Space Agency
	Nuclear Decommissioning Authority
	UK Shared Business Services Ltd
	Life Sciences and Soft Materials Advisory Panel
	STFC Particle Physics Advisory Panel
Universities	University of Surrey
	University of Westminster

	University of Sheffield
	Imperial College London
	University of Oxford
	University of Reading
	University of Hertfordshire
	UCL
	University of Bristol
	Birmingham City University
	Universities Scotland
	University of Cambridge
	University of Stirling
	University of Durham
	University of Edinburgh
	Scottish Universities Physics Alliance
	University of Birmingham
	University of Kent
	The Genome Analysis Centre
UK Charities and National Academies	Royal Society of Edinburgh
	Society of Biology
	Society for General Microbiology
	Royal Society of Chemistry
	Royal Society
	Learned Society of Wales



	Royal Astronomical Society
	Economic History Society
	The British Psychological Society
	Wellcome Trust
	Academy of Social Science
	The British Academy
	Royal Academy of Engineers
	Arts Council England
	Scottish Science Academy
	Royal Historical Society
	The Academy of Medical Sciences
	British Ecological Society
	Tate
	Design Council
	The Institute of Physics
	Nuffield Foundation
	Association of Medical Research Charities
	Babraham Institute
	The Open University
	Political Studies Association
	PraxisUnico
	NatCen Social Research
Associations/Groups	Universities UK
	1994 Group

	Russell Group
	Association of Independent Research and Technology Organisations
	Council for the Mathematical Sciences
	Living With Environmental Change
	Space Action Network
	The Association of the British Pharmaceutical Industry
	Council for the Defence of British Universities
Business	Rolls Royce
	Syngenta Ltd
	BP
	Cobalt Light Systems Ltd
	BAE - Technology and Engineering Services
	Serco
International	European Southern Observatory
	Institut Laue Langevin
	CERN
	European Synchrotron Radiation Facility
Individuals	Professor Robin Perutz (University of York)
	Peter Grindrod (member of BBSRC Council and former member of EPSRC)
	Professor Mandy MacLean (University of Glasgow)
	Dr Anne Corcoran (Brabraham Institute)
	Daniel Mortlock (Imperial College London)
	Justin Wark (Member of STFC Science Board)

	Peter Sarre (University of Nottingham)
	Daan Frenkel (University of Cambridge)
	Dr Christopher Murphy (University of Edinburgh)
	Professor WJ Stirling
	Professor John Zarnecki
	Dr Alan Barr (STFC Particle Physics Grants Panel)
	Professor Rob Beynon (University of Liverpool)
	Steven Milne (University of Leeds)

*\* to note, a number of submissions came from some Universities, with particular institutes and schools within these submitting individual responses.*

# Annex C: Participants in Direct Engagement

## Bilateral discussions

Stakeholder	Organisation
NDPBs	RCUK
	AHRC
	BBSRC
	EPSRC
	ESRC
	MRC
	NERC
	STFC
	Technology Strategy Board
Government	Department for Business, Innovation and Skills: Chief Scientific Advisor and Senior Officials
	Chief Medical Officer
	HoL Science and Tech Committee
	HoC Science & Tech Committee
	HMT Senior Officials
	Cabinet Office Senior Officials

	Go-Science
Business	CBI
	GSK
	Procter and Gamble
	Rolls Royce
UK charities and national academies	The Wellcome Trust
	The Academy of Medical Sciences
	The British Academy
	The Royal Society
	The Royal Society of Edinburgh
	Francis Crick Institute
Select Committees	HoC Science & Tech Committee
	HoL Science and Tech Committee
Universities	Russell Group
	Universities UK
	NIESR

## Roundtables hosted

Roundtable	Attendees (by Organisation)
06 March (hosted by Review Team)	BBC Academy
	BAE Systems

	Shell
	University of Cambridge
	UK Space Agency (UKSA)
	Society for General Microbiology
	Technology Strategy Board
08 March (hosted by Review Team)	BT
	Royal Society of Edinburgh
	UK Plant Sciences Federation
	University of Southampton
	Institute of Physics
	Nuffield Foundation
	Universities UK.
	CIHE
	University of Oxford
	University of Cambridge

## Roundtables attended

Roundtable
CBI interdisciplinary Group
Chief Scientific Advisors (cross Whitehall)
Royal Society

EPSRC
STFC



# Annex D: Summary of Evidence from respondents

The following sections provide a summary of evidence submitted to the review in response to the questions we asked and the themes we considered. The questions are listed in the order they appeared in the Call for Evidence.

This evidence has informed the overall conclusions and recommendations of the review, as detailed in the body of the report.

## A. Purpose

### Questions asked:

1. Do the Royal Charter objectives for the Research Councils need to continue to be delivered?
2. How well aligned do you think Research Councils priorities are with these Royal Charter objectives?
3. How closely are and should Research Council research objectives be aligned with those of Government?

**Purpose of asking these questions: To establish the functions of the Research Councils, whether they should continue to be delivered and how they fit within Government objectives and priorities.**

### *Objectives and alignment*

Most stakeholders who provided views for the Triennial Review addressed these fundamental questions to some degree (60% or more answered Questions 1 and 2). The majority of those who responded agreed with the Royal Charter objectives and felt that the Research Councils were broadly well aligned to these objectives. However, some suggested more or less substantive changes, and these are explored below.

Proposals for areas where additional objectives could be added to the Royal Charters included international work, interdisciplinary work and advice to Government. There was only one suggestion that any of the current objectives be scrapped; the private sector respondent questioned whether 'provide trained researchers' and 'contribute to UK competitiveness' would not be better delivered through other means (block grants and

Public Sector Research Establishments that had been moved out of Council ownership respectively).

The Wellcome Trust suggested that the constrained financial conditions of the Councils had led to a focus on the first Royal Charter objective, and that the second and third had been treated as secondary. This echoed interviews and roundtables, where many treated the first objective as implicitly the most important. Several stakeholders raised concerns around engagement and awareness being relatively weak. Some respondents believed Councils could do more on competitiveness, while others felt this was over-valued, or best delivered indirectly, through simply ensuring good blue-sky research and training. While some highlighted training as a strength, several business stakeholders felt it could be stronger. Several higher education institutes also raised a concern that Doctoral Training Centres are inflexible and may undermine the objective of providing trained researchers.

The most significant area of disagreement was in an area not explicitly addressed in the objectives: the balance between 'blue-skies' responsive research and research that was focused on impact/translation (this binary division is not absolute, but reflects the sense of the responses received). Most responses agreed that both are important, and both are being effectively delivered, although The Royal Society of Chemistry suggested that greater transparency over how funds were prioritised between these two kinds of research would be useful.

However, a significant minority felt that blue-skies research is under threat from too great an emphasis on immediate impact. Others thought that Research Councils should focus entirely on blue-sky research, leaving translation and concern with impact to industry or others. Comments on the balance between 'blue skies' research and translational research were also made in response to questions relating to 'Impact' – see section F.

### *Government alignment*

On the alignment of Research Council objectives with Government, responses were more varied, both in their analysis of the facts and their position on what is desirable. Most respondents believed that a balance was needed, with some alignment but significant independence under the Haldane Principle. The value of independence was most often expressed in terms of scientific timescales being longer than individual Parliaments or Ministers, and the importance of avoiding political bias or control was also noted. Funders, academics and users alike emphasised that alignment should be at the 'highest level', and the importance of supporting avoiding 'tinkering' with long-term research was emphasised, including many business respondents. The Chair of the House of Commons Science and Technology Committee also suggested that international comparisons showed that less independent systems are less strong.

Most who expressed a view suggested the current balance was broadly right, though as noted above, some backed a much stronger emphasis on responsive, blue-skies research, rejecting both centrally driven research prioritisation whether by Government or RCUK. Amongst those broadly content with the current balance, several warned against the risk of ever-increasing pressure for policy-driven initiatives. The Royal Society echoed many others in their statement that 'further overt alignment with government objectives is neither necessary nor desirable'. One higher education institution argued that the government

took a more active role in managing how Councils spent capital budgets than resource budgets, and argued that this was not justified under Haldane.

However, several Government departments felt that it was important that Councils engaged with Government, in particular the growth agenda. This was seen less in terms of the level of funding which should be awarded for Government priority projects and more as having a clearer shared view and more consciously identifying gaps in research, or by clearer communication of recent advances with Government and business. Others suggested that Research Councils needed to actively shape government policy and that Government should make sure it listened to the outcomes of research. Some emphasised that Councils should feel free to actively challenge government (see also evidence submitted in response to questions on interaction and co-ordination – section C).

Several respondents noted that the Councils should also be influenced by the priorities of others: for instance those of devolved administrations, Europe, individual researchers, business and society in general. Others suggested that researchers were in any case concerned with and committed to issues of national and social importance.

## **B. Effectiveness and efficiency**

### **Questions asked:**

4. How effective are the Research Councils at delivering their objectives?
5. Are the current disciplinary divisions appropriate to allow the Research Councils to foster excellence and innovation in the research base?
6. To what extent is there duplication between the functions of the Research Councils (from promoting and supporting research through to advancing and disseminating knowledge, generating awareness and providing advice) and other providers in the sector?
7. What is your view on whether seven Research Councils is the right number?

**Purpose of asking these questions: To explore how the Research Councils perform their functions and deliver against their objectives, including whether there is duplication of effort and the rationale behind the organisational current structures.**

## *Delivering Objectives*

Most respondents considered that the Research Councils were effective at delivering their objectives, with many of them pointing to the volume of research funded, the UK's world-leading position in citations<sup>33</sup> and the wider benefits to the economy and society. As discussed in the previous section, there was a view expressed that the Research Councils appeared to place a greater emphasis on delivering the first of their Royal Charter objectives<sup>34</sup>, and this implicit primacy of delivering research was also observable in the form in which many respondents answered questions under the theme of effectiveness and efficiency.

Some respondents further commented on the small proportion of the Research Councils' resources spent on administration: the Russell Group, for example, highlighted the Research Councils' strong performance against international comparators – they wrote that *“In terms of the amount of funding distributed per unit of overhead, the Research Councils are already relatively efficient. For example: staff and operating costs at the Technology Strategy Board amount to 8% of their budget; in the US similar costs at the NIH and NSF amount to 4.8% and 4.5% of their budget totals respectively; while the EPSRC's staff and other operating costs were only 2.6% in 2011-12, and ESRC's 5%.”* – and the Society for General Microbiology observed that *“while there has been a reduction in the income of the Research Councils, the total publication counts have grown at a yearly rate of 9% since 2009, with stable total count of patents and spinouts.”* Others discussed the significant cost savings that had already been achieved through the shared service centre (discussed further below).

Some of those who worked with more than one Research Council emphasised the potential gains from harmonisation and simplifying the interface for researchers, though some cautioned that one size would not necessarily fit all. Others commented on the quality of the leadership, with most considering that the Research Councils were on the whole well led, but emphasising the importance of including a wide range of skills, such as commercial awareness or communications skills, not simply excellence in research, in the executive leadership team as well as making the best use of the Councils themselves.

## *Number of Research Councils*

The great majority of respondents were opposed to the merging of the Research Councils into a larger body with 77% of those who responded to the question on the number of Research Councils supporting the current structure.

Although respondents acknowledged that there was naturally some overlap between the remits of the Councils, rather than leading to duplication most respondents who commented on this matter considered it helpful, as supporting collaboration and helping to

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<sup>33</sup> *The UK research base produces 14% of the world's most highly-cited articles, the second largest share after the United States. The UK also has more articles per researcher, more citations per researcher, and more usage per article authored than researchers in the United States, China, Japan and Germany. It is also an extremely efficient system with more citations per pound spent in overall research and development than any other large country.* (Universities UK)

<sup>34</sup> to promote and support by any means, including providing facilities and technical expertise, high-quality basic, strategic and applied research and related postgraduate training

prevent things ‘falling through the cracks’(although there is still a perception amongst many that it doesn’t totally prevent this – see section C on interdisciplinary research and interaction and co-ordination).

Although most respondents did not argue that there was anything particularly significant or appropriate about there being seven organisations, most who commented on this subject emphasised the significant cost of change, both financial and otherwise, and emphasised that there would need to be a very strong business case for merging or creating Councils to compensate for the significant disruption. Several respondents also drew comparisons to the recent creation of STFC, noting the upheaval and the significant time it had taken to recover from that merger, even though (in the view of some respondents) there had in that case been a justified case for change. Very few respondents considered that this strong business case for a change in the number of Councils currently existed (only seven submissions wanted any change at all and not all of those seven provided any actual suggestions for change).

Of the few respondents who supported reducing the number of Councils, some suggested exploring specific mergers, for example between AHRC and ESRC, or between EPSRC and STFC, though other respondents considered these same potential mergers and rejected them. Whilst a small number of respondents proposed specific and significant consolidation into a smaller number of Councils, most considered that such moves, or the consolidation into a single Council, would simply lead to the duplication of the current, or similar, structure within that Council, reducing transparency and Government control over the strategic allocations and leading to no savings in efficiency.

Some respondents observed that the successful creation of the Shared Service Centre (SSC) had led to significant back office savings, meaning that there would be few additional gains from further mergers. Figures from the SSC confirm this, indicating a total saving of almost £450m over a ten year period. A few respondents suggested that it may be possible to drive further savings by considering efficiencies at the sub-Research Council level – for example, drawing institutes or other Research Council delivery bodies into shared services – or by pooling services, such as communications and press offices, that have not yet been brought into the SSC – and that this would be likely to be a more fruitful avenue for meaningful efficiencies than merging or abolishing Councils.

### *Interdisciplinary Research*

Although most respondents considered the current number of Research Councils to be appropriate, many expressed a concern that, in the words of the Institute of Physics, “*there is ongoing concern regarding interdisciplinary research*”. Although matters were acknowledged to have improved in this regard, many respondents commented that there remained more to be done.

As discussed above, it was not considered that a merging of Councils would help resolve this issue, as the structures and behaviours would be likely to be duplicated within a larger Council. Rather, most respondents who commented on this issue considered that, to quote the University of Sheffield, “*It would be better to address the problem of how best to support interdisciplinary and goal-oriented research explicitly by making cross-council programs work better and introducing positive incentives for the research councils to collaborate more effectively.*”

The issue of interdisciplinary research was mentioned in response to many of the questions under other themes too (in particular, see *'Working in Partnership'* in section C – Interaction and co-ordination)

### **C. Interaction and coordination**

#### **Questions asked:**

8. How effective do you consider RCUK to be and why?
9. Are there any functions currently performed by RCUK that you think should be performed at Research Council level or vice versa?
10. Where do the Research Councils need to work in partnership and how good are the Research Councils at doing this?
11. How good are the Research Councils at challenging the status quo – both in the sectors they support and in Government?
12. Do the Research Councils have effective ways to share best practice?

**Purpose of asking these questions: To gather information on the effectiveness of RCUK and other mechanisms for coordination between Research Councils.**

#### *Effectiveness of RCUK*

Many (but not all) of the respondents who commented on this theme said that they considered RCUK to be a generally effective body and identified its key current roles as providing oversight, facilitation and strategic co-ordination between the seven Research Councils. For example, several respondents welcomed the co-ordination role played by RCUK in the development of Concordats, such as the Researcher Career Development concordat. Several also commented that RCUK has made important progress in helping Research Councils to speak with a single voice, although some felt that individual Research Council priorities can be diluted at RCUK level and others thought that there was scope for further development of RCUK's voice for all Research Councils in areas of common interest.

However, a significant number of responses also suggested that there was a lack of clarity over the purpose, impact and visibility of RCUK. Several said they had very little involvement with RCUK and did not consider it to have much direct impact. BP highlighted the fact that there is no clear statement as to the role of RCUK relative to the individual Research Councils and some other respondents commented on the fact that there are currently no metrics against which to measure the impact/success of RCUK. Several respondents who gave relatively detailed responses to other questions said they did not feel able to comment on the effectiveness of RCUK, because their experience was much more focused on dealings with the individual Research Councils.



Whilst there was generally support for RCUK's intentions in helping to align areas common to all Research Councils, there was some criticism on RCUK's engagement with the relevant stakeholders in some of these areas. This was particularly evident in responses from the academic community, some of whom were very critical of the recent consultation on Open Access. The need for improved consultation and early engagement by RCUK was also made by one of the Learned Societies.

There was no overwhelming message as to whether RCUK should have more or less power in order to be more effective but there were several suggestions as to things stakeholders would like to see RCUK do more of. These included a stronger role in communications (with some, including the Russell Group and Cambridge University, suggesting a shared media centre), more work to standardise and co-ordinate systems in the Research Councils, measuring the impact of research and performance management.

The work of RCUK in developing international engagement was welcomed by several respondents, some of whom suggested that RCUK could play an even stronger role in this area (both promoting UK research priorities and in establishing international partnerships) on behalf of all of the RCs.

The most consistent message was that RCUK could and should do more to help share best practice across the individual RCs.

*Functions performed by RCUK which should be performed by Research Councils or vice versa*

As with the question relating to effectiveness of RCUK, there were some respondents who did not feel able to answer this question because they were not familiar enough with the role of RCUK. However, of those that did respond, several thought that the current divisions between RCUK and the individual Research Councils were broadly appropriate. One response remarked that equivalent organisations in other jurisdictions have legal personality (which RCUK doesn't) but there was no call for RCUK to be given legal status.

The RCUK's own response said that the 'direction of travel had recently been towards RCUK led activity for those areas where a collective, collaborative more harmonised approach has direct benefits'.

There were, however, many suggestions relating to a greater co-ordination role for RCUK across the individual Research Councils and some support for RCUK taking more of a 'lead' role on behalf of all them in managing/influencing external relationships with both industry and Government. Several respondents also suggested that RCUK needs to have an important role in supporting cross-cutting functions of the Research Councils, for example on public engagement, influencing policy and international activities.

In summary, most of the suggestions in response to this question related to an increased role for RCUK in strengthening cross-working and sharing best practice, as well as speaking with a stronger single voice, rather than recommendations for a switching of functions between RCUK and the individual RCs. That said, there were some suggestions for more shared services, such as a shared media centre.



### *Working in Partnership*

Various respondents identified areas where partnership working between the Councils is important including career development and training for researchers, public engagement, knowledge transfer, international engagement, translational research and impact and back office functions. However, the area which was cited the most often was cross or multi-disciplinary research.

There were mixed views on how much Research Councils currently worked in partnership and many comments related to partnership working on cross-disciplinary research. Several respondents thought that there had been an improvement in recent years (with some suggesting that this was down to the work of RCUK) and others who accepted that there was a perception that the Research Councils did not always work well together but that, in reality, it happened much more than they were given credit for (sometimes because it was behind the scenes).

Some respondents commented that a number of the cross-Council programmes have provided a good foundation for promoting multi-disciplinary research, although responses to other questions suggested that these programmes did not look far enough into the future (funding is only over five years). However, several respondents commented that there were challenges around inter-disciplinary responsive mode applications. Some also felt there was a perception (and others thought it was a reality) that applications at the interface between disciplines fell through the cracks. There was also recognition amongst several respondents that this may not just be down to Research Councils, with some commenting that conservatism in the peer review process is also a contributory factor, as well as it being difficult to create a common pot of funding for cross-disciplinary work. There were suggestions from several respondents that more needs to be done to incentivise collaborative efforts to multi-disciplinary challenges. Several respondents, including the Executive Director of the Living with Environmental Change (LWEC) programme, said that even where inter-disciplinary communities have been created, researchers have often reverted back to their original disciplines in order to secure funding.

Several respondents (including Universities UK and the Russell Group) cited the complexity and diversity of regulations surrounding individual Research Councils' applications and award processes as a significant barrier to partnership working and called for more standardisation of schemes and policies including those on lengths of awards and reporting of research activity. The Russell Group said that a single shared specification document for all studentships should be a priority outcome for the Triennial Review.

We also received several comments from a fairly diverse range of stakeholders that whilst there had been an improvement in the joining up between the Research Councils and TSB that the two organisations should work even more closely together.

### *Challenging the status quo*

There was a perception amongst most responses to these questions that Research Councils were better and more willing to challenge the status quo in the sectors they support than in Government, although there were mixed views as to how effective they were at doing so. Several respondents said that they thought Research Councils were

effective at influencing the research sectors, with some saying that this was much more obvious than any influence over Government priorities. Others commented that relationships with the sectors needed to be strengthened and that Research Councils had, in the past, got in to difficulties when looking to introduce radical changes or re-prioritise activities. Some respondents believed that some brave decisions have been taken, while others commented that Research Councils are relatively conservative (and therefore not challenging) in both the areas they fund and, in some cases, the Universities they work with. Oxford University contested the concept of there being any kind of 'status quo', stating that the HEI sector is on a state of constant change and that Research Councils are continually reviewing their programs, funding models and stakeholder links.

As mentioned above, several of the answers to this question suggested that Research Councils do not really challenge the status quo in Government and that interaction is not two-way, although some respondents felt that the current balance is right and others (including the MoD) gave examples of when Research Councils had influenced the strategic direction of Government policy. Several respondents said that if Research Councils are successfully influencing strategic Government priorities, they should make this clearer as there is a distinct impression that they do not do this. Whilst some respondents said that it is important for Research Councils to play a role in setting strategic direction for research priorities and that they should take a longer term view than the Government of the day can, others felt that this is not a role for the Research Councils because of their interpretation of the Haldane principle and the importance of Research Councils maintaining their autonomy.

### *Sharing Best Practice*

Several responses gave examples of where good practice has been shared both between Research Councils and with other organisations (through initiatives or via communications channels/forums). There was also recognition from some respondents that this is improving and the University of Sheffield response noted that co-location of all the Research Councils had been a positive step. BAE systems commented that Research Councils often asked for feedback on their performance and acted on it, which was also seen as very positive. However, there were several examples given where respondents felt that more could be done and where a more common approach and greater degree of harmonisation would be welcome.

There were several responses which highlighted the fact that Research Councils often have different systems, requirements and rules for funding, which can be difficult and inefficient for the academic community to manage (see also '*Working in Partnership*' section above). A couple of responses also commented on a tendency not to want to adopt systems developed in another organisation (the so-called 'not invented here' attitude). A small, but significant issue which demonstrates this is the fact that each Research Council website is formatted differently, making it difficult for someone who wants to find something out from more than one Research Council. A more significant concern, flagged in several submissions and conversations, was the existence of two different systems for recording research outcomes (Research Outputs System (ROS) and Research Fish) as being unnecessary and inefficient. Some respondents suggested that these systems should be harmonised, whilst others recognised a rationale for difference but felt that this should be more widely communicated.

One respondent suggested that individual Research Councils should be encouraged to pilot new approaches (which could be adopted by other Research Councils if successful and not rolled-out further if unsuccessful) and another respondent suggested that greater movement of staff between Research Councils could also help to spread good practice.

## **D. Dissemination and communication**

### **Questions asked:**

13. How effective do you think Research Councils ensure that use of research is maximised, including by those in other Councils, the private, public and third sector?
14. How well do you think the funding mechanisms are understood by applicants (existing and new)?
15. How well do you think Research Councils communicate with the general public?.

**Purpose of asking these questions: To determine the extent to which the Research Councils are successful in sharing the outputs of research in order to maximise its value in economic and social terms.**

### *Maximising use of research*

Many respondents gave examples of the wide range of ways in which Research Councils communicate. RCUK noted that Research Councils ensure that use of research is maximised through knowledge exchange activities, for example: collaborative research funding, secondments between the research base and industry, or partnership and stakeholder facilitation. Pathways to Impact was cited as an example of a particular initiative intended to encourage applicants to think about potential beneficiaries of their research right from the outset (although not all respondents thought this successful).

We were told that a number of Research Councils also offer follow-on funding schemes to ensure that ideas arising from RC-funded research are supported until they are sufficiently mature to be able to take the next step towards commercialisation.

Some respondents discussed the provision of access to research findings e.g. through the RCUK Policy on Open Access. This aims to accelerate and widen opportunities for productive use of those results in both academic and non-academic settings such as translational activities. As the Met Office noted, “... when user requirements, from the private, public and third sector are included at the outset in the research brief, and subsequent associated feedback from the end-users are continually fed into the thinking, then possibilities are opened up for fundamental breakthroughs in science to be translated

*more quickly to services. In turn the benefits to each sector can be better quantified and maximised.*” While many researchers agreed with the principle of Open Access, as mentioned elsewhere, there were criticisms of the way in which Open Access had been developed and was being implemented.

Another example mentioned in several responses was the Gateway to Research, which provides a mechanism for businesses and other interested parties to identify potential partners in universities to develop and commercialise knowledge, and maximise impact. RCUK also maintains strategic partnerships, for example with key industry partners and government departments as well as approaches such as Research and Technology Clubs for businesses in specific sectors.

Several respondents commented on the diversity of people involved in the communication of research, and therefore the complexity of the role of the Research Councils. For example, UCL said: *“Any knowledge transfer ecosystem needs to consider the generators of knowledge, the appliers of it and a range of intermediate organisations. It is implausible for the Research Councils to take ownership of that whole system.”*

Respondents stressed the need for dissemination and communication to work between these communities as well as between them and the customer or end user. This could be industry, the general public or some other organisation. As a result, some respondents suggested that absolutely cohesive communication is an unrealistic aim for the Research Councils.

Even so, some respondents identified areas for improvement. Comments included that Research Councils were better at working with Government than with devolved administrations, third sector and business (although in responses to other questions, some respondents suggested that Research Councils were not always strong at challenging Government – see *Challenging Status Quo* part of section C – Interaction and Co-ordination). There was a suggestion that more could be done to synthesise research outputs and to reduce inconsistency across projects. There was a comment that engagement can tend to be “push” focussed rather than two-way dialogue. There was also a call from several respondents for Research Councils to be clear and consistent about the extent to which communication is considered a necessary part of research and to demonstrate this through actions, for example, funding and requirements to receive funding, factors for promotion of researchers. Some respondents noted that there was considerable variation between Research Councils in terms of the encouragement and funding provided for the academic community to exploit and apply knowledge generated from their research.

### *Understanding of funding mechanisms*

It was clear from the responses we received that the Research Councils use a variety of approaches to engage with research communities and achieve this for instance through road shows, town meetings, regular university visits, participation in University grant-holder workshops, Research Council strategic partnerships etc. Increasingly, and with RCUK encouragement, research intensive HEIs were thought to be investing in specialist staff to assist in writing and processing of applications and to improve proposal quality. These interactions improve data provision, information flow and provide a route for dissemination of new research schemes, or changes in funding policies.

Views about the level of understanding of the funding mechanisms varied. Providers of funding and those who are regular users of funding tended to see fewer problems than those outside the research community or more infrequent users of the system.

### *Communicating with the general public*

Several respondents commented that the Research Councils have established channels for communicating with the general public and are broadly seen as a trustworthy source used to provide useful and measured comment on particular issues, such as the re-opening of the GM debate, nanotechnology or the Icelandic volcanic ash cloud.

The Research Council brands were thought to be valued within the communities that they serve, both business and academic, and the majority of communications activity they engage in is science focused which aligns with the Royal Charter objectives. Several responses discussed the value of public engagement, and the Research Councils' contribution to it.

There was a general sense from respondents that communication with the general public could be improved further. However, views varied on the role of the Research Councils in doing this. Some thought that they had limited reach and so individual researchers had the greater responsibility. It was also suggested by some respondents that there was room for improvement in schools, colleges and universities to raise general awareness.

However, others criticised lack of funding from Research Councils for this purpose and suggested a lack of coherence on communications from Research Councils limited their ability to have an impact.

One respondent suggested that direct engagement with the general public appeared quite limited around the objective setting for Research Councils' own strategies and delivery plans.

In summary, there was no fundamental criticism from respondents, and many agreed that communication was an area that had shown improvement over recent years. However, many also agreed that more could and should be done.

Several respondents referred to the increasing complexity of the research ecosystem within which knowledge transfer must operate. This was thought to be driven by the need for cross-disciplinary working and fragmentation of who does what as resource is cut back in both public and private sectors. Many comments suggested that effective communication needs sufficient, and dedicated, funding – and that this was not yet apparent. In this context, too, Efficiency Reform Group (ERG) controls were regularly identified by Research Councils as acting as a brake on necessary communication capability.

## **E. Funding mechanism**

### **Questions asked:**

16. Is the funding mechanism appropriately open to a range of institutions/researchers, including new entrants as well as incumbents?
17. Does Research Council funding work well alongside block grants to institutions?

**Purpose of asking these questions: To explore the function of the research funding mechanisms from the policies to the application processes.**

### *Research Council Funding*

Many respondents commented that the paramount importance of research excellence in the award of grants was being respected in the current system and that this should remain the case. Most respondents felt that excellence, as assessed by peer review, should remain primary criteria for selection of projects to support, and that other factors should be of a lower priority.

Some respondents felt that peer review could be a conservative decision making process. Others felt that this problem was overstated and that ground breaking research was chosen for support by peer review panels. One respondent made the point that the peer review process helped to encourage private sector investment in research, for example through venture capitalism, because the extensive expert scrutiny of applications helps to minimise risk.

Most respondents were broadly positive about responsive mode funding, including the peer review process. There were comments that it helps to avoid stagnation in the research base, as it enables the best research proposals to be selected for funding. Some people felt that top down funding tended not to be as effective as responsive mode, and referred to major breakthroughs which were funded in this way. While the recently announced eight priority areas for research were welcomed as positive, several respondents warned against a weakening of support through research mode.

It was noted by some respondents that there had been a lot of change in how Research Councils distribute funding in terms of responsive mode versus targeted calls and other initiatives. This has meant that resource must be committed by researchers and others to understanding the schemes, including how they differ between Councils. Of these changes, there were comments about difficulties experiences in the Research Councils implementing a full economic costing system, although it was welcomed by others. Some respondents questioned the reliability of selection processes, including a perceived bias against the funding of applied research. It was also noted by several respondents that there was a move towards funding fewer, larger projects. It was felt that this was understandable from an administrative point of view, but that this could unfairly



disadvantage disciplines where large research groups were not required, and mid-career stage researchers.

### *Incumbency bias*

There were very mixed views as to whether the UK's research funding systems favoured incumbent researchers and among those who felt there was bias, there was disagreement over whether this was detrimental or not.

On the one hand, some respondents felt that in order to be successful in obtaining funding, such an in-depth understanding of the system is needed that new entrants are effectively excluded. Bias was thought to be particularly present in the process required to obtain *Independent Research Organisation* status. There was a comment that while bias was inherent in funding systems, this was as much down to higher education institutes as the funding mechanisms.

On the other hand, some respondents felt that most funding streams were made appropriately available and that the system was not unfair. For example, one respondent stated that there was no evidence that high quality proposals from new institutions were less likely to get funded. However, a few respondents noted, to quote the University of Birmingham "*there can be significant year to year changes in the proportion of Research Council grants received by individual universities, suggesting that the peer review process is rewarding excellence rather than institutional inertia*".

Several respondents discussed provisions which Research Councils have been making to support new entrants and promising institutions in their attempts to secure funding, though this appears to vary considerably between the Councils. Certain demand management mechanisms were also mentioned as something which helped to level the playing field. For example, if institutions were only allowed one bid per funding cycle, this would open up opportunities for smaller research faculties. That said, some respondents called for separate funding to be made available to allow promising institutions to build capacity. This was thought to be a good way to improve diversity in the sector at the same time as developing research areas or approaches not favoured by mainstream players (see also *Demand Management* paragraphs further below in this section).

Those who felt that there is bias in the system varied in their opinion of how it affects the research base research quality. Some thought that the impact was minimal, and that the bias was appropriate because non-research intensive institutions might not be best placed to exploit funding, for example if they lack the necessary infrastructure. They felt that new entrants tend to gravitate towards the traditional research organisations so that they can gain the most from the connection with established people and institutions. Some respondents also commented that there was a role for local and regional Governments to direct funding to develop specific activities or disadvantaged regions, rather than relying on Research Councils to support the whole sector.

Some respondents felt that an incumbency bias in research funding had a detrimental impact on the UK's research output and capability, for example by preventing academics returning to the higher education institute sector from industry and bringing with them their skills and experience. Others focussed on there being an apparent contradiction with the principle of funding excellence, with the Institute for Physics commenting, "*we are*



*concerned by the moves to concentrate research funding to a select number of universities, which contradicts the principle of selecting excellence wherever it is found'*. While strategic targeting for funding was seen to make some sense, some respondents warned of it affecting capacity building in the longer term and leading to areas of excellence being excluded based on location. Some respondents pointed towards important breakthroughs which have been made by small and less 'fashionable' groups to demonstrate that there is not a linear relationship between research excellence and the critical mass of an institution.

Overall, there was an understanding from most respondents that the Research Councils face a challenge to guard against spreading funding too thinly to have maximum impact while also not missing out on important opportunities by placing too many eggs in too few baskets.

### *The Dual Funding Mechanism*

There was widespread and strong support for the dual funding system, consisting of QR grants from HEFCE [and devolved equivalents] and Research Council funding.

Many respondents commented that it was this combination of funding routes which has been a cornerstone of the UK research base and which has allowed it to flourish and compete so successfully on the international stage. Many also felt that QR funding allows universities to manage their long term, sustainable and strategic approach to research, as well as enabling them to channel funding into emerging or more risky research areas. Meanwhile, Research Council funding in its various forms provides targeted support for specific projects with important rigour in the system to prioritise excellence and agility to allow the research base to respond to developments. While most respondents were very positive about dual funding, a few felt that it created a system in which institutions were forced to concentrate on either research or teaching and also that some bias exists towards established, or incumbent universities (see also paras above on *Incumbency bias*).

The long term stability which the dual funding mechanism facilitates was thought by many respondents to be essential for maintaining the UK's research base and presence amongst the best research countries in the world. It was also observed that dual funding allows diversity in the organisations which fund research.

Some respondents felt that there were some areas where improvements to research funding mechanisms could be made. For example, through greater use of 'follow-on' funds and improved synergy with TSB to maximise translation of research outputs into industrial applications.

Amongst the small number of respondents who commented that a complete shift in the distribution of public funding was necessary (i.e. between block/Research Council funding and between the Research Councils), there was little agreement about how distribution should be changed.

In terms of international co-funding of projects, there were some examples given of where the Research Councils were working well, for example in association with the Department for International Development. However, it was thought by some that there could be more

done, including to increase visibility of European Research Council funding amongst UK researchers. There were also some suggestions that greater use of national and international partnerships could improve value for money producing benefits for the UK and other countries and improving the technical facilities and capabilities available.

### **Other themes emerging from responses to these Questions:**

#### *Eligibility Criteria and Demand Management*

A small number of respondents commented on limitations placed on funding from the Research Councils which, if loosened, would allow non-HEI partners to contribute their expertise to projects, especially in communication/dissemination or in applied elements. This could also provide more opportunity for academics to work with Government researchers, thus helping to improve strategic relationships. There was a sense from these responses that greater transparency on eligibility criteria and routes for collaboration between eligible and non-eligible institutions/organisations would be beneficial.

Demand management was generally accepted as necessary, but there was a feeling of some trend towards more 'draconian' measures. In contradiction with the view detailed in the above '*Incumbency bias*' section that limiting bids to one per institution could help to balance incumbent bias, one respondent commented that they were unsure if it was conducive to supporting research on the basis of excellence. Several respondents also commented on restrictions being placed on researchers from reapplying for funding following a declined bid for longer periods of time e.g. three years in some cases. It was thought this could have a particularly poor impact on the responsiveness of the research system to new challenges, as well as disadvantaging new entrants and risking loss of talent.

#### *PhD centralisation/Career development*

In answering these questions, a range of reactions were expressed by respondents in relation to the move to dissociate PhD funding from some grant and project applications to centralised funding through specialised training centres.

The value being placed in the centres on skills development and career focus was welcomed by many respondents which mentioned them, and some approaches to strategically develop capability through placing them in regions according to need were thought to be beneficial.

However, there was a good deal of concern raised by respondents that the loss of flexibility could have long-term implications for the research base. For example, because PhD students are seen as a highly important resource, their loss could impact on the sustainability of research groups. This point was aptly made by one respondent, an individual who said, "*most research groups, how ever world-leading, thrive on new-blood coming in as PhD students...and is only ever at a maximum of 3 years from potential death and closure: if you cut off the supply of students to the group, that's the end of the story*".

It was also felt by some respondents that on the basis of funding research excellence, the link between grant applications and PhD places should not be lost, especially as having

access to the best research and academics is a key feature of a research training degree. Some respondents cited the strong regionalisation of PhD funding having a lasting detrimental effect on research capacity and capability in regions where there was a lack of training centres.

One respondent suggested that the Research Councils compare their PhD funding schemes with *“the European model of Initial Training Network which places the same emphasis on cohort building and training but without any geographical restrictions on participating partners and, in our view, is far superior.”* There were some suggestions that this could help the UK exploit more diversity in the research base while still providing the training experience which is so vital for early career researchers.

Many respondents voiced concerns about funding for mid-career researchers, who thought that there was a danger that the UK is starting to neglect post-Doctoral researchers as a result of the move to large research grants and limited opportunities for career development.

Several respondents felt that investment in PhDs could be wasted in the long run because there was nowhere for researchers to find positions in the UK, meaning they were forced with the decision to either leave academia or the UK.

### *Application Processes*

Of those who responded to questions in this section, most commented on the application process for research funding. Many felt that the academic community has a good understanding (including of the peer review process) but that this was less true of industry. Some commented that the cross-Council programmes and consortium applications were less well understood and problematic.

Several comments were received about the burden of application processes. For example, one respondent, who stated that, *“grant application procedures remain cumbersome and off-putting, particularly to early career researchers and to those who lack experienced institutional support”*. Frequent change and disparities between the processes for different Councils and programmes were also cited as problematic.

Respondents commented that forms could be improved to provides more clarity for reviewers, panel members and applicants and that the cost savings generated by slimming down the system could help to improve capacity for processing applications. Similarly, it was felt that best practice could be shared on making procedures as transparent as possible, for example with relation to interested parties sitting on selection panels.

## **F. Impact**

### **Questions asked:**

18. How good is the UK at attracting private investment and human talent into research in comparison with other countries? What factors influence this?
19. How effective is the funding mechanism at delivering value for public money and deciding the best targets for new research?
20. How easy is it for UK businesses, individuals and policy makers to access the research base?

**Purpose of asking these questions: To assess how successful the Research Councils are at maximising and measuring the impact of research funding for the UK.**

### *Attracting human talent and private investment*

Most respondents felt that the UK was successfully attracting the best global human talent. The excellent international reputation of UK research output was cited as the predominant reason for this. Several respondents also commented that the UK's higher education institutions enjoy an outstanding international reputation and act as a further 'pull' factor in drawing researchers to the UK.

This positive opinion of the attractiveness of the UK for researchers was tempered by some concern about the sustainability of this position. Firstly, some respondents commented on the UK's proportionately low investment in research, together with the higher salaries that are available in the USA and other countries. Other responses commented on more restrictive border controls, high undergraduate fees and debt levels and low retention rates of young researchers due to a lack of early career support. These factors were all seen as potentially damaging in the UK's long-term ability to attract the best human talent and therefore on the UK's research outputs and international reputation.

There was also less positivity about the UK's ability to attract private research investment. Some respondents said that the UK is not perceived as having a strong track record in attracting private investment, even for commercially beneficial research and UCL considered that when research objectives are not aligned to those of the Research Councils, but are 'closer to implementation and development [...] it is less clear that the UK provides as competitive an offering'. However, some positive aspects were also noted. For example, BP emphasised the UK's ability to draw multi-national funding. Furthermore, according to figures supplied by the Institute of Physics, the UK charity sector also invests over £1 billion per annum in research.

*Delivering Value for Money and deciding on priorities*

Most respondents commented on the good value for money that the research councils provide (see also section B – effectiveness and efficiency). The internationally established quality of UK research output despite lower investment in research compared to other countries was noted by many respondents. Most responses directly linked this success with the role of the Research Councils, while noting areas for potential improvement. Similarly, the peer review process was generally looked upon favourably, albeit with certain reservations. A small number of respondents commented that capital funds were not always allocated strategically.

While there was no demand to see a move away from peer review as the principal funding allocator, there was significant debate as to the direction of new research. There was no clear consensus. As mentioned in section A - purpose, several respondents drew attention to problems in getting a balance between blue-skies and commercial research, suggesting that blue-skies research should not be overlooked in a contemporary drive for growth.

Most respondents commented that Research Councils, together with Universities, should aim to engage more with industry to aid in the exploitation of research, and perhaps to encourage further private funding. There were comments that the TSB, Catapults, and the STFC have achieved a certain degree of success in this area. Examples of successful partnerships – such as between the University of Durham and Proctor and Gamble – were given by several respondents.

*Measuring impacts of research*

Some respondents acknowledged that it can be difficult to extract a measurable benefit from all research, yet were clear that its value should not be overlooked. Several responses drew attention to the longer term benefits of the UK's knowledge culture, linking it to the UK's excellent global reputation. The recent development of citation numbers as a way of quantifying impact was seen by some respondents, such as the BIS Chief Scientific Officers, as problematic and not fully representative of the UK's research base.

*Accessibility of the research base*

There was a sense among most respondents, including the University of Oxford, that although access to the research base was improving, more needed to be done in this area. The positive role of Universities in aiding this effort was emphasised by several respondents, who cited initiatives such as working on the user interface to make it more accessible and RCUK's role in fostering knowledge transfer partnerships and in engaging with MPs as having a positive impact.

A significant number of respondents were, however, critical of the accessibility of the research base, and, as also noted in other sections, the Open Access initiative has attracted a fair amount of criticism, in particular from the academic community. Suggestions for improvement included enhanced partnerships between Universities and the Research Councils and improving accessibility to the general public and SMEs. Some respondents, including BAE Systems, felt that while larger companies were able to capitalise on the research base, SMEs were not able to and unsure how to do so. Accessibility of the research base to policy makers was not commented on in detail.

# Annex E: Completing the detailed Stage Two assessments

For each principle of good governance, the Research Councils and the sponsor team were asked to assess compliance with the detailed criteria listed in the pro-forma and indicate 'comply' or 'explain', and to provide appropriate justification. This material was stored in a data archive which the review team used to verify the self assessment. The review team then considered all of the evidence provided and agreed an overall assessment for the principle being reviewed and a RAG rating according to the scale below. The assessments set out in Annexes G - M are based on the review team's assessment of compliance when reviewing each Council independently.

The proforma also enabled the Research Councils and the sponsor team to identify strengths and areas for improvement and to state any actions planned to address areas of concern. The review team considered these comments as part of its assessment set out in the main body of the report.

As explained in the report, the review team also took a view on how the Research Councils together, under the umbrella of RCUK measured up against the Stage Two criteria, considering evidence received during Stage 1 of the review, as well as the criteria listed in the pro-forma. Given the complex and informal interrelationships between the Councils, this required a level of judgement. Annex F provides our overall assessment of compliance and RAG rating on a collective basis for each theme and summarises the areas identified for improvement.

Finally, based on the above, an overall assessment of compliance against principles of good governance was determined by the Review Team.

## Scale:

<b>Red</b>	Highly problematic – requires urgent and decisive action
<b>Amber/Red</b>	Problematic – requires substantial attention, some aspects need urgent attention
<b>Amber/Green</b>	Mixed – aspect(s) require substantial attention, some good
<b>Green</b>	Good – requires refinement and systematic implementation

The RAG ratings are used by the department and the NDPB to prioritise actions and provide a readily accessible and comparable assessment of performance.



# Annex F: Overall collective Research Council assessment for each theme

## ACCOUNTABILITY

### (Statutory Accountability, Accountability for Public Money and Ministerial Accountability)

The table below reflects an overview of the Review Team's assessment of compliance against the Accountability theme for the Research Councils as a Group. The Review Team's more detailed assessment of compliance against each question in the proforma for each individual Research Council can be found in Annexes G – M.

Description	Comment by the Review Team on overall assessment	Overall RAG rating
<p>Assessment of whether the Research Councils;</p> <ul style="list-style-type: none"> <li>- comply with all applicable statutes and regulations and other relevant good practice</li> <li>- the Accounting Officer of the RCs are personally responsible and accountable to Parliament for the use of public money by the body</li> </ul>	<p>Individually, all Research Councils are fully compliant in all basic required aspects of statutory accountability i.e. Green (with the exception of the MRC, who are not currently fully compliant with one small aspect of accountability relating to the Data Protection Act<sup>35</sup>).</p> <p>However, when looking in more depth into accountability of the Research Councils, in particular as a group, there were two key areas where improvements need to be made, and it is because of these that an overall rating of amber/green has been awarded.</p>	<p><b>Amber / Green</b></p>

<sup>35</sup> This non-compliance arose from the transfer of records from the systems run by the former MRC Shared Services Centre (SAP based) to the systems run by the UKSBS (Oracle based). However, remedial action is being taken and a follow up audit has been commissioned.



<p>and the stewardship of assets</p> <p>- the Secretary of State is ultimately accountable to Parliament and the public for the overall performance of the Research Councils</p>	<p>Those areas are:</p> <ol style="list-style-type: none"> <li>1. Development of an improved performance management framework i.e one that comprehensively covers all 3 objectives, particularly Objectives 2 and 3 on impact and communication that will facilitate decisions on the relative prioritisation and allocation of resources between activities.</li> <li>2. Improved arrangements to ensure best use of public money at a cross-Council level.</li> </ol>	
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## ROLES AND RESPONSIBILITIES

**(Sponsoring Group, the Board, the Chair, the Chief Executive Officer and the Non-Executive Board Members)**

The table below reflects an overview of the Review Team's assessment of compliance against the Roles and Responsibilities theme for the Research Councils as a Group. The Review Team's more detailed assessment of compliance against each question in the proforma for each individual Research Council can be found in Annexes G – M.

Description	Comment by the Review Team on overall assessment	Overall RAG rating
<p>Assessment of whether:</p> <p>- the sponsoring group ensures there are robust governance arrangements with the Board of each PO</p>	<p>Overall the leadership structure of the Research Councils, consisting of the sponsor team, Chair, Chief Executives and Governing Board was appropriate with the key elements of governance in place and all Councils are individually rated as green.</p> <p>However, the review team had some concerns around Board</p>	<p><b>Amber / Green</b></p>

<ul style="list-style-type: none"> <li>- the PO is led by an effective Board which has a collective responsibility for its overall performance and success, providing strategic leadership, direction, support and guidance. The Board has an appropriate balance of skills, experience, independence and knowledge, with clear division of roles and responsibilities between Executives and Non-Executives</li> <li>- The Chair is responsible for leadership of the board and for ensuring its overall effectiveness</li> <li>- The CEO is responsible for leadership of the PO and for ensuring its overall effectiveness</li> <li>- Non-Exec board members provide independent and constructive challenge</li> </ul>	<p>reviews and the level of challenge that the sponsorship team is currently equipped to provide, which led the team to award an overall Amber/Green rating.</p> <p>The review team therefore recommends that:</p> <ol style="list-style-type: none"> <li>1. All the Research Councils consider undertaking independent reviews to appraise the effectiveness of their board at regular intervals, in line with best practice</li> <li>2. there should be greater clarity on the role of the Board and whether its function is to be consultative or to challenge</li> <li>3. BIS and the research councils consider the current requirements of the Councils' Royal Charters and whether the role of the Deputy Chair of the Board might be more appropriately carried out by a non-executive member of the board</li> <li>4. consider whether there are further benefits from an alternative sponsor team structure, e.g. separating the policy and shareholder/stakeholder functions</li> </ol>	
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## EFFECTIVE FINANCIAL MANAGEMENT

The table below reflects an overview of the Review Team's assessment of compliance against the Effective Financial Management theme for the Research Councils as a Group. The Review Team's more detailed assessment of compliance against each question in the proforma for each individual Research Council can be found in Annexes G – M.

Description	Comment by the Review Team on overall assessment	Overall RAG rating
<p>Assessment of whether the Research Councils;</p> <ul style="list-style-type: none"> <li>- produce annual reports and accounts in line with good practice</li> <li>- properly manage financial risk, including through anti-fraud and anti-corruption measures</li> <li>- have robust internal audit and systems for independent review</li> </ul>	<p>Effective systems of financial management and internal controls are in place for the seven Research Councils, and all are fully requirement with the financial management requirements. In particular, all Research Councils have a clear system of regular risk review, carried out by Audit Committees with independent membership, and working with the NAO.</p> <p>Some aspects of financial management are delivered in part by bodies outside of the individual Councils, including BIS, the Shared Business Services UK and the Research Councils' Audit and Assurance Services Group. This seems a suitable approach given the similarities between the Councils, and the team would welcome BIS working with RCUK and the Councils to seek further opportunities to pool resources or share best practice.</p>	<p><b>Green</b></p>

## COMMUNICATION AND ENGAGEMENT

The table below reflects an overview of the Review Team's assessment of compliance against the Communication and Engagement theme for the Research Councils as a Group. The Review Team's more detailed assessment of compliance against each question in the proforma for each individual Research Council can be found in Annexes G – M.

Description	Comment by the Review Team on overall assessment	Overall RAG rating
The Public Body is open, transparent, accountable and responsive	<p>The Research Councils demonstrate a good performance against communications and engagement requirements, such as having a commitment to openness and clear stakeholder communication strategies. All but one Research Council have communications strategies, and the remaining one is in the process of developing one.</p> <p>These strategies will be enhanced by being updated in light of work to establish additional performance management metrics and by clarifying the approaches taken towards seeking input from stakeholders on strategic direction and decisions.</p>	Green

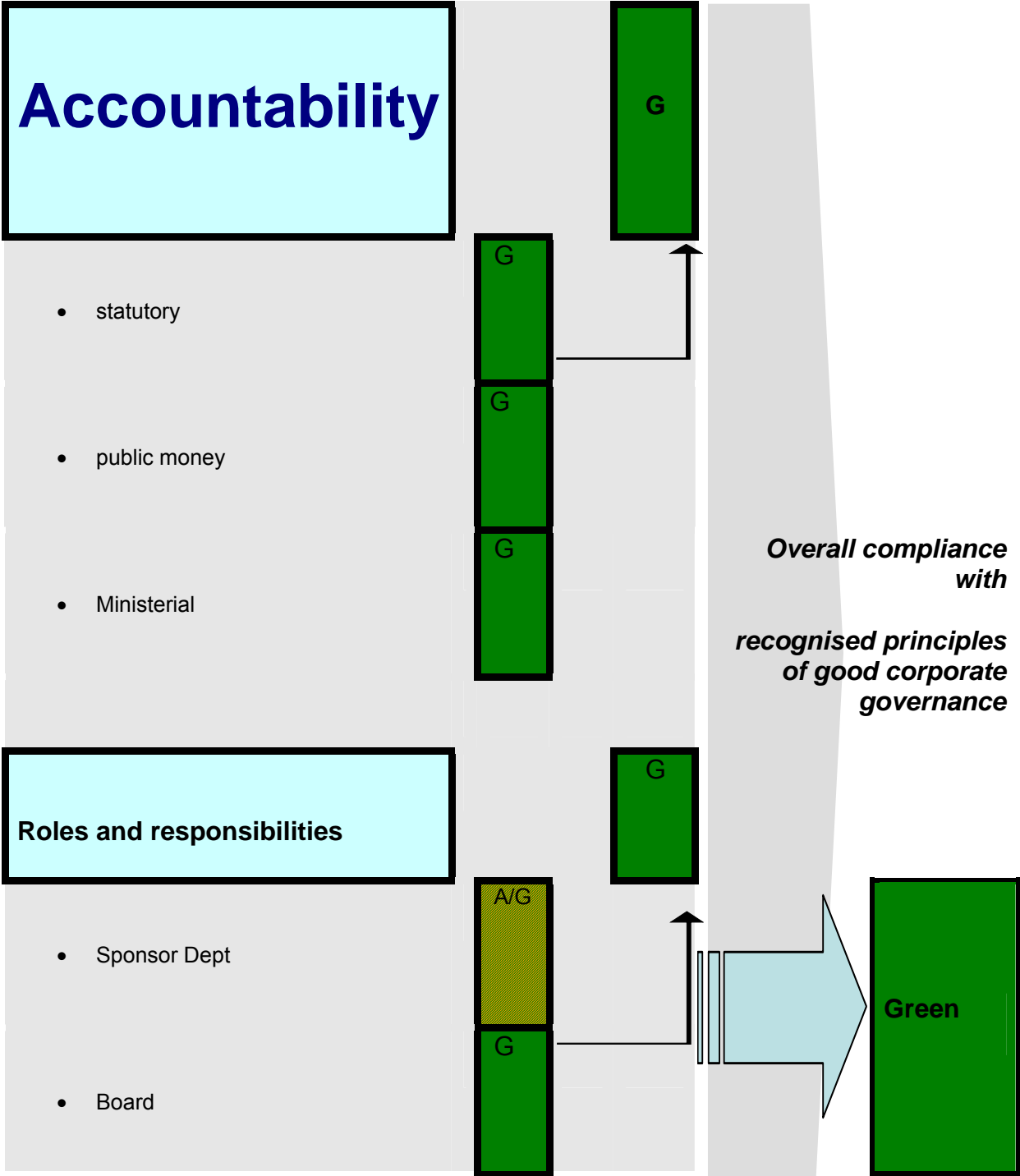
## CONDUCT AND PROPRIETY

The table below reflects an overview of the Review Team's assessment of compliance against the Conduct and Propriety theme for the Research Councils as a Group. The Review Team's more detailed assessment of compliance against each question in the proforma for each individual Research Council can be found in Annexes G – M.

Description	Comment by the Review Team on overall assessment	Overall RAG rating
<p>The board and staff of the PO work to the highest personal and professional standards. They promote the values of the PO and of good governance through their conduct and behaviour</p>	<p>The Research Councils have in place the majority of requirements to comply with basic standards of conduct and propriety governance. They each have Codes of Conduct which are well promoted within organisations, for example, STFC and EPSRC both include reminders of elements of their Codes at each Board meeting.</p> <p>Performance on conduct and propriety could be further enhanced if the Research Councils were to provide clarification around the rules concerning appointments following resignation or retirement from a position in one of the Research Councils and around conflicts of interest.</p>	<p><b>Green</b></p>

# Annex G: Detailed Assessment – AHRC

## SUMMARY ASSESSMENT



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• Chair	G	
• CEO	G	
• NEDS	G	
<b>Effective financial management</b>		G
<b>Communication</b>		G
<b>Conduct and behaviour</b>		G



## STATUTORY ACCOUNTABILITY

*Does the public body comply with all applicable statutes and regulations and other relevant good practice?*

Detail of Requirement	Assessment
<p>The PO:</p> <ol style="list-style-type: none"> <li>1. complies with all statutory and administrative requirements on the use of public funds (inc HMT Managing Public Money, and CO/HMT spending controls);</li> <li>2. operates within the limits of its statutory authority and in accordance with delegated authorities agreed with BIS;</li> <li>3. operates in line with statutory requirements for the Freedom of Information Act;</li> <li>4. has a comprehensive publication scheme;</li> <li>5. proactively releases information that is of legitimate public interest</li> <li>6. Produces annual reports and accounts which are laid before Parliament</li> <li>7. complies with data protection legislation</li> <li>8. complies with Public Records Acts 1958 and 1967.</li> </ol>	<p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p>
<p>Overall assessment of statutory accountability</p>	<p><b>Green</b></p>

## Evidence of compliance or explanation for non-compliance

### 1 Compliant

The NAO audited accounts are available on the AHRC website. The NAO gave the accounts unqualified assurance.: <http://www.ahrc.ac.uk/News-and-Events/Publications/Pages/Annual-report-and-accounts.aspx>

Accounting procedures are also internally audited, the last report on Financial Management in December 2012 gave Substantial assurance.

### 2 Compliant

The Research Councils' delegated authorities are laid out in a letter of delegation, which is evergreen, i.e. operates until superseded. Compliance with this is demonstrated through the published annual accounts.

### 3 Compliant

All Research Councils, to comply with the Freedom of Information Act, have to provide a 'Publication Scheme' on their website <http://www.ahrc.ac.uk/About-Us/Freedom-of-Information/Publication-scheme/Pages/default.aspx>

This is required to proactively provide as much corporate information as possible to the general public, without them having to ask for it to be made available.

In 2012 AHRC dealt with 21 requests for information under the Act and responded to all but one within the statutory time period.

The Council provides FOI guidance to staff. These were last audited in December 2011 with overall substantial assurance.

### 4 Compliant

One of the 3 Royal Charter objectives is to disseminate knowledge. This is accomplished in part by each council's communication strategy. This is in addition to compliance with FOI statutes (see Q3 above).

These communication strategies include the publication of a range of documents on the council website including:

- annual reports and accounts

- delivery plans
- strategic plans and subject specific strategies
- AHRC Publications

<http://www.ahrc.ac.uk/News-and-Events/Publications/Pages/Publications.aspx>

#### 5 Compliant

In addition to publication of key documents (Q4 above) and documents published to facilitate compliance with the FOI act (Q3 above) - to comply with their Royal Charter Objectives Councils publish regular news items and featured research articles:

AHRC Newsfeed: <http://www.ahrc.ac.uk/News-and-Events/News/Pages/News-Listing.aspx>

AHRC Publications: <http://www.ahrc.ac.uk/News-and-Events/Publications/Pages/Publications.aspx>

Detailed information on AHRC-funded research can be found on the RCUK Gateway to Research (GTR), this included links to the publications resulting from the research. GTR is available at: <http://gtr.rcuk.ac.uk/>

AHRC is drafting a data sharing policy to allow the appropriate sharing of research outputs in a timely manner:

RCUK have an agreed policy on Open Access which will improve public access to the outputs of publically funded research:  
<http://www.rcuk.ac.uk/documents/documents/RCUKOpenAccessPolicy.pdf>

#### 6 Compliant

All Research Councils produce publically available annual reports and accounts; these are also laid before Parliament: <http://www.ahrc.ac.uk/News-and-Events/Publications/Pages/Annual-report-and-accounts.aspx>

#### 7 Compliant

All Councils have Data Protection officers and have filed notifications with the ICO. Effective delivery of the regulation covered by regular internal audit. A Data Protection Audit is currently being carried out and AHRC will act upon any recommendations. A recent MRC audit of UK SBS business processes has indicated an area of concern, but this is being investigated further and corrective action will be agreed.

AHRC's Data Protection Policy can be found on its website:  
<http://www.ahrc.ac.uk/About-Us/Policies,-standards,-and-forms/Data-Protection->

[Policy/Pages/Data-Protection-Policy.aspx](#)

8 Compliant

All Councils comply with the Act's relevant code of practice and regulations and have appropriate record retention and archiving policies to reflect this.

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

A strong emphasis on making information available to the public on AHRC's activities.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

No areas identified by AHRC

## **ACCOUNTABILITY FOR PUBLIC MONEY**

*The Accounting Officer of the PO is personally responsible and accountable to Parliament for the use of public money by the body and the stewardship of assets*

Detail of Requirement	Assessment
1. there is a formally designated Accounting Officer (AO) who in particular has a responsibility to provide evidence-based assurances required by the Principal Accounting Officer (PAO);	Comply
2. the role, responsibilities and accountability of the AO should be clearly defined and understood and the AO should have received appropriate training;	Comply

3. the PO should be Comply with requirements set out in Managing Public Money, relevant Dear Accounting Officer letters and other directions;	Comply
4. the PO should establish appropriate arrangements to ensure that public funds: <ul style="list-style-type: none"> <li>○ are properly safeguarded;</li> <li>○ are used economically, efficiently and effectively;</li> <li>○ are used in accordance with the statutory or other authorities that govern their use;</li> <li>○ deliver value for money for the Exchequer as a whole;</li> <li>○ are subject to Treasury approval, either directly or through established delegated authority;</li> </ul>	Comply
5. the annual accounts are laid before Parliament after certification by the Comptroller and Auditor General	Comply
Overall assessment of accountability for public money	<b>Green</b>

### Evidence of compliance or explanation for non-compliance

#### 1 Compliant

Professor Rick Rylance, AHRC Chief Executive, is the Accounting Officer for the Council, with delegated authorities outlined in the letter of delegation from the Permanent Secretary (as Principle Accounting Officer) sent via the relevant DG on his behalf.

#### 2 Compliant

The roles, responsibilities and accountability of the AO is contained in the delegated authority letter. New CEOs receive appropriate training provided by BIS.

#### 3 Compliant

The Research Councils; receive regular formal communications from BIS with instructions for compliance with any revised accountabilities. The compliance and robustness of any controls is checked regularly by internal audit. The last audit which

covered compliance with accountability was completed in October 2012 and gave 'largely Comply' assurance.

#### 4 Compliant

Research Councils have multiple arrangements in place to ensure the good use of public funds at the individual Research Council level:

AHRC's CEO as the Accounting Officer has delegations laid down by BIS. These delegations are handled through internal delegation authorities. The robustness of these controls is checked regularly by internal audit. The last audit which covered financial controls was completed in September 2012 and gave substantial assurance.

AHRC has a number of royal charter objectives, and undertakes programmes to underpin these in summary. The objects for which the Council is established and incorporated are:

91.1 **(a)** to promote and support by any means high-quality basic, strategic and applied research and related postgraduate training in the arts and humanities;

101.1 **(b)** to advance knowledge and understanding of the arts and humanities (including promoting and supporting the exploitation of research outcomes and research relating to cultural aspects of the different parts of Our United Kingdom) and provide trained personnel who meet the needs of their users and beneficiaries, and thereby to contribute to the economic competitiveness of Our United Kingdom and effectiveness of public services and policy, and to enhance the quality of life and creative output of the nation; and

111.1 **(c)** in relation to the activities as engaged in by the Council under (a) and (b) above and in such manner as the Council may see fit to: (i) generate public awareness; (ii) communicate research outcomes; (iii) encourage public engagement and dialogue; (iv) disseminate knowledge; and (v) provide advice.

The Council and the Research Councils collectively invest in evaluation measures to demonstrate the delivery of the mission, in collaboration with BIS. Citation metrics demonstrate the UK leads in research excellence globally and is only ever second to the US. The 'Elsevier International Comparative Performance of the UK Research Base 2011' report identifies the UK as significant leader for arts and humanities citation metrics, see link to report here:

[https://www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/32489/11-p123-international-comparative-performance-uk-research-base-2011.pdf](https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/32489/11-p123-international-comparative-performance-uk-research-base-2011.pdf)

The AHRC's Strategy and Delivery Plan are agreed by AHRC's Council in line with the AHRC's Royal Charter Objectives and all schemes, programmes and activities undertaken by the AHRC underpin the objectives of the AHRC Charter. The AHRC maps progress and achievements against its Delivery Plan within the Scorecard

reporting mechanism.

#### 5 Compliant

AHRC's accounts are signed-off by the Controller and Auditor General and laid before Parliament after certification by the NAO, the AHRC accounts can be found here: [http://www.ahrc.ac.uk/News-and-Events/News/Documents/AHRC\\_AR\\_2012-13\\_web.pdf](http://www.ahrc.ac.uk/News-and-Events/News/Documents/AHRC_AR_2012-13_web.pdf)

#### **Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

A robust approach to planning and monitoring progress against its delivery plan objectives.

#### **Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

The Research Councils work together as Research Councils UK to ensure the good use of public funds at the collective level:

- In 2006 Research Councils established RCUK Shared Services Centre Ltd. to deliver efficiency savings through providing shared back-office functions to the seven Research Councils. In 2012 the company began delivering shared services to the wider BIS family of partner organisations as UK SBS Ltd.

Research Councils are keen to go further though, and are exploring with BIS:

- Changes to the governance of RCUK Executive Group to charge the group with responsibility for delivering collective efficiency savings and transformational change across Research Councils.
- A stronger role for the BIS DG Knowledge & Innovation to enable more agile decision making within RCUK Executive Group.
- The establishment of an RCUK Chairs forum as an advisory forum on issues of governance.

These changes would pick up on Recommendations 8 and 9 from Stage One of the Triennial Review.



## MINISTERIAL ACCOUNTABILITY

*The Secretary of State is ultimately accountable to Parliament and the public for the overall performance of the public body*

Detail of Requirement	Assessment
1. the Secretary of State and Sponsor should exercise appropriate scrutiny and oversight of the PO;	Comply
2. appointments to the board should be made in line with any statutory requirements and, where appropriate, with the <i>Code of Practice</i> issued by OCPA;	Comply
3. the Secretary of State will normally appoint the Chair and all non-executive board members of the PO and be able to remove individuals whose performance or conduct is unsatisfactory;	Comply
4. the Secretary of State should be consulted on the appointment of the Chief Executive and will normally approve the terms and conditions of employment;	Comply
5. the Secretary of State should meet the Chair and/or Chief Executive on a regular basis;	Comply
6. Parliament should be informed of the activities of the PO through publication of an annual report;	Comply
7. a range of appropriate controls and safeguards should be in place to ensure that the Secretary of State is consulted on key issues and can be properly held to account (e.g. Business Plan, power to require information, a general or specific power of Ministerial direction over the PO, a power for the Secretary of State to be consulted on key financial decisions.)	Comply
Overall assessment of Ministerial Accountability	Green

## Evidence of compliance or explanation for non-compliance

### 1 Compliant

There are frequent Ministerial meetings with Chief Executives and Chairs on topical issues as they arise. In addition, the Minister for Universities and Science has regular (bi-monthly) meetings with the seven Chief Executives as well as regular one-to-one meetings with the Chair of Research Councils UK, and for each of the Research Councils has attended Council meetings by invitation.

Following accountability meetings with the BIS Sponsor Director and team, the Minister for Universities and Science also receives regular twice yearly updates on the performance of the Research Councils and upcoming issues and risks:

BIS Ministers are frequently involved in announcements about new Research Council developments and initiatives and there is regular and frequent communications between the Research Council and BIS comms teams.

### 2 Compliant

As an upper tier body, appointments to Council are required to be made in accordance with the OCPA Code of Practice. For the recruitment of Research Council Chairs the OCPA code requires an OCPA Public Appointments Assessor to chair the appointment panel and certify the overall process met the OCPA code in a final written report. There is also an independent panel member. For Council members the OCPA code requires there to be an independent panel member. At the end of the recruitment the Department certifies that the recruitment was conducted in accordance with the Code. The recruitment of Chief Executives is not covered by the OCPA Code but in the spirit of fair and open recruitment the Department uses a process analogous to the OCPA Code.

### 3 Compliant

The Secretary of State is responsible for appointing the Chair, Chief Executive and Council members. The sponsorship team is responsible for the management of appointments and submission of names to Ministers.

Appointment letters note that Board Members may be removed from office by the Secretary of State on grounds of incapacity or misbehaviour or a failure to observe the terms and conditions of the appointment.

### 4 Compliant

<p>The Secretary of State is responsible for the recruitment of and makes the final decision on, who is appointed as Chief Executive. Terms and conditions for Chief Executives consist of an appointment letter from the Department supplemented by a further Service Contract issued by the Research Council.</p>
<p>5 Compliant</p> <p>The Minister has regular (bi-monthly) meetings with the seven Chief Executives as well as regular one-to-one meetings with the Chair of Research Councils UK, and for each of the Research Councils has attended Council meetings by invitation. This is in addition, to frequent <i>ad hoc</i> discussion with Chief Executives, Chairs and others within Research Councils, of topical issues as they arise.</p>
<p>6 Compliant</p> <p>Annual reports and accounts are published on the AHRC website  <a href="http://www.ahrc.ac.uk/News-and-Events/Publications/Pages/Annual-report-and-accounts.aspx">http://www.ahrc.ac.uk/News-and-Events/Publications/Pages/Annual-report-and-accounts.aspx</a></p>
<p>8 Compliant</p> <p>The Research Council's Management Statement and Financial Memorandum sets out provisions for the Secretary of State to be consulted on key decisions. In 2012/13 The Department and the Councils have been updating the language and terminology used in the documents and it is planned that revised versions will be available in September 2013.</p> <p>Research Councils consult BIS Ministers on its key strategic documents, including its Delivery Plans. Decisions going beyond Research Councils' delegated financial authority are also submitted to BIS for endorsement and agreement.</p> <p>BIS Ministers are frequently involved in announcements about new Research Council developments and initiatives and there are regular and frequent communications between the Research Council and BIS comms teams.</p>

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

Very strong Ministerial engagement with the work of the Research Councils.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

No areas identified by AHRC

## **ROLE OF THE SPONSORING GROUP**

*BIS ensures that there are robust governance arrangements with the board of each PO setting out the terms of their relationship, and how they will be put in place to promote high performance and safeguard propriety and regularity*

Detail of Requirement	Assessment
<p>1. The Group should scrutinise the performance of the PO. There should be appropriate systems and processes to ensure effective governance, risk management and internal control in the PO;</p> <p>2. There should be a Framework Document in place which sets out clearly the aims, objectives and functions of the PO and the respective roles and responsibilities of the Secretary of State, the Sponsoring Group and the PO. It should be regularly reviewed and updated and follow relevant CO and HMT guidance. The Framework document should include a Financial Memorandum as an appendix. A review of the Framework document should be carried out every three years and in line with the Triennial Review.</p> <p>3. A Sponsor should be identified and there should be regular and on-going dialogue between the Sponsoring Group and the PO. Senior officials from the Sponsoring Group may as appropriate attend board and/or committee meetings.</p>	<p>Comply</p> <p>Explain</p> <p>Comply</p>
<p>Overall assessment of the role of the Sponsoring Group</p>	<p><b>Amber/Green</b></p>

## Evidence of compliance or explanation for non-compliance

### 1 Compliant

Overall performance and issues concerning governance and internal control in the Research Councils are reviewed as part of the formal six-monthly review meetings with the Chief Executive and senior team of each Research Council, and are as appropriate, also included in more frequent one-to-one meetings between BIS and the Chief Executive. In addition, the Research Councils provide BIS with quarterly performance and risk reports. Examples of quarterly reports and notes of accountability meetings are available.

In addition, BIS is represented with observer status at Council meetings.

### 2 Explain

A formal Management Statement sets out the roles and responsibilities of both the Research Council and the Department. A Financial Memorandum is also in place as a separate document governing the financial relationship between the Research Council and the Department. Copies are available.

In 2012/13 The Department and the Councils have been updating the language and terminology used in the documents and it is planned that revised versions will be available in September 2013. Changes may be required as a result of the outcome of the Triennial Review of the Research Councils.

### 3 Compliant

Regular and frequent dialogue takes place between the Sponsor Team and the Research Council, in addition to six-monthly review meetings and regular one-to-one meetings between BIS and the Chief Executive.

The Sponsor team has senior official representation as an observer at Council meetings with a Director and Deputy Director attending as an observer.

In the BIS Finance-led Partner Organisation Assessment Exercise, relationships between the BIS sponsor and the partner organisation have been rated strongly.

## Strengths identified by the Research Council and sponsor body, and considered by the Review Team

Strong relationships between the Research Council and the sponsoring group, with frequent and regular dialogue.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

Management Statements are in need of updating

## **ROLE OF THE BOARD**

*The PO is led by an effective board which has collective responsibility for its overall performance and success, and provides strategic leadership, direction, support and guidance. The board has an appropriate balance of skills, experience, independence and knowledge, with a clear division of roles and responsibilities between Executives and Non-Executives*

Detail of Requirement	Assessment
<p>The Board of the PO should:</p> <ol style="list-style-type: none"> <li>1. meet regularly, retain effective control over the PO, and monitor the SMT, holding the CEO accountable for the performance and management of the PO;</li> <li>2. be appropriate in size with membership from a diverse background;</li> <li>3. establish a framework of strategic control specifying what matters are reserved for the board and establish arrangements to ensure it has access to relevant information, advice and recourses to carry out its role effectively;</li> <li>4. establish formal procedural and financial regulations to govern the conduct of its business;</li> <li>5. make a senior executive responsible for ensuring appropriate advice is given on financial matters, procedures are followed, and that all applicable statutes and regulations and other relevant statements of best practice are complied with;</li> </ol>	<p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p>

6. establish a Remuneration Committee to make recommendations on the remuneration of top executives. Information on senior salaries should be published and rules for recruitment and management of staff provide for appointment and advancement on merit;	Comply
7. evaluated annually, including an evaluation of the chair and board members.	Explain
Overall assessment of role of the Executive Board	<b>Green</b>

### Evidence of compliance or explanation for non-compliance

#### 1 Compliant

AHRC meets four times per year and also has an annual policy and strategy day. It receives regular reports from the CEO and scrutinises the work of the senior management team in delivering the agreed strategy. It holds both to account for the management of the Council's work.

#### 2 Compliant

The governing board of the organisation is the Council, which consists of the Chair, Chief Executive acting as Deputy Chair, and 14 Council members, of whom eight are academics from the Council's research community. This size and composition is consistent with the Council's Royal Charter, which states "The Council shall consist of a Chair, a Chief Executive and Deputy Chair, and from ten to eighteen other members, at least half of whom shall be appointed by reason of their qualifications in the arts and humanities".

As such, the size of the governing board is larger than might normally be expected. However, the diverse representation which this larger size enables does have the benefit of providing a demonstrable sense of 'ownership' of the organisation from across the Council's diverse academic and user community. As such, the Council to an extent performs a dual role of governing board and stakeholder forum.

While BIS seeks to obtain as diverse a Board as possible, the prime factor in making appointments will always be the experience and expertise an individual will bring to the role.

Membership of the Council is published on the AHRC website here:

<http://www.ahrc.ac.uk/About-Us/Governance-structure/AHRC-Council/Pages/AHRC->



<p><a href="#">Council.aspx</a></p> <p>Past membership can be found in the annual reports which are in the public domain:  <a href="http://www.ahrc.ac.uk/News-and-Events/Publications/Pages/Annual-report-and-accounts.aspx">http://www.ahrc.ac.uk/News-and-Events/Publications/Pages/Annual-report-and-accounts.aspx</a></p>
<p>3 Compliant</p> <p>The framework for all governance and control is contained within the Code of Practice for Council Members, the Management Statement and the Financial Memorandum. These documents have recently been reviewed, updated and harmonised between Research Councils, and the new versions will be published on the AHRC website soon. Previous versions may be found here:</p> <p><a href="http://www.ahrc.ac.uk/About-Us/Policies,-standards,-and-forms/Code-of-Practice/Pages/Code-of-Practice.aspx">http://www.ahrc.ac.uk/About-Us/Policies,-standards,-and-forms/Code-of-Practice/Pages/Code-of-Practice.aspx</a></p> <p><a href="http://www.ahrc.ac.uk/News-and-Events/Publications/Documents/Management-Statement.pdf">http://www.ahrc.ac.uk/News-and-Events/Publications/Documents/Management-Statement.pdf</a></p> <p><a href="http://www.ahrc.ac.uk/News-and-Events/Publications/Documents/Financial-Memorandum.pdf">http://www.ahrc.ac.uk/News-and-Events/Publications/Documents/Financial-Memorandum.pdf</a></p>
<p>4 Compliant</p> <p>See above.</p>
<p>5 Compliant</p> <p>The Director of Resources provides advice to the Board on financial matters and oversees risk management and internal audit recommendations. He prepares the annual Governance Statement which is signed by the CEO as part of the process of completing the annual report and accounts. The Director of Finance is responsible for compliance with the HM Treasury rules on Managing Public Money (MPM).</p>
<p>6 Compliant</p> <p>The AHRC has a Remuneration Committee and information on senior salaries is published in AHRC's Annual Report and Accounts. The report (link below) outlines the remuneration of the council members and senior Council staff, including performance related bonuses. These documents are in the public domain:  <a href="http://www.ahrc.ac.uk/News-and-Events/Publications/Pages/Annual-report-and-accounts.aspx">http://www.ahrc.ac.uk/News-and-Events/Publications/Pages/Annual-report-and-accounts.aspx</a></p>
<p>7 Explain</p> <p>AHRC members complete an annual self-assessment in conjunction with the Chair of Council. The Council last year performed a self-evaluation exercise, the outcomes of which are reported in the Governance Statement within the Annual Report and</p>

Accounts. The Chair has regular meeting with BIS and the Director General, however, the Chair does not receive a formal evaluation of their performance from BIS. BIS is looking to introduce annual evaluations of Council Chairs.

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

Research Council composition enables demonstrable 'ownership' of each Research Council by their academic and user communities.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

There is a need to regularly review the composition of Research Councils to ensure the balance between academia, users and other voices is right.

There is a need for a formal annual evaluation of the Council Chair.

## ***ROLE OF THE CHAIR***

*The Chair is responsible for leadership of the board and for ensuring its overall effectiveness*

Detail of Requirement	Assessment
<ul style="list-style-type: none"> <li>The Board should be led by a non-executive Chair, whose duties, roles and responsibilities, terms of office and remuneration should be set out clearly and formally defined in writing. Terms and conditions must be in line with CO guidance and any statutory requirement.</li> <li>There should be a formal, rigorous and transparent process for the appointment of the Chair, which is Comply with the Code of Practice issued by OCPA. The Chair should have a</li> </ul>	<p>Comply</p> <p>Comply</p>

<p>role in the appointment of non-executives.</p> <ul style="list-style-type: none"> <li>• the responsibilities of the Chair can include: <ul style="list-style-type: none"> <li>○ representing the PO in discussions with the Secretary of State</li> <li>○ advising the Sponsor Group/the Secretary of State about board appointments and performance of non-executive members</li> <li>○ Ensuring non executives understand their responsibilities; are trained appropriately and undergo annual assessments.</li> <li>○ Ensure the board takes account of guidance provided by the Secretary of State; carries out its business efficiently and effectively, has its views represented to the public.</li> <li>○ Develop effective working relationships with the CEO (role of Chair and CEO must be held by different individuals.)</li> <li>○ subject to an annual appraisal by the Permanent Secretary or relevant Director General</li> <li>○ Appraises other board members ensuring they are performing to standard, following disciplinary procedures if necessary and ensuring they are committing the appropriate time to the work.</li> </ul> </li> </ul>	<p>Explain</p>
<p>Overall assessment of the role of the Chair</p>	<p><b>Green</b></p>

<p><b>Evidence of compliance or explanation for non-compliance</b></p>
<p>1 Compliant</p> <p>AHRC has a non executive chair who is appointed by BIS: Professor Sir Alan Wilson, Professor of Urban and Regional Systems, in the Centre for Advanced Spatial Analysis (CASA) at University College London. He was appointed by BIS and his terms of office and remuneration are set out in the formal appointment letter.</p>
<p>2 Compliant</p> <p>An independent public appointments assessor sits on the interview/selection panel for</p>

the Chair.

### 3 Explain

The responsibilities of the chair are laid out in the code of practice and the Management Statement, which is available in the public domain (see 7.3 above).

The Chairmen chairs the appointments panel for the appointment of new members of Council and advises the Sponsor Group about potential re-appointments based on regular performance appraisals.

The Chairman has regular monthly 1:1 meetings with the CEO.

See 7.7 for appraisal arrangements for Council members. The Chair does not routinely advise BIS of the annual assessment of a Council member. However, the Chair does advise BIS of his assessment when he is recommending a Council member for reappointment.

The Chair does not receive formal performance evaluation from BIS.

While Chair and CEO are held by different individuals, BIS is keen to review the CEO's joint role as Deputy Chair.

### **Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

BIS conform to a rigorous and transparent appointments process for Council Chairs and oversight is maintained on implementation of Chair responsibilities.

### **Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

Annual evaluation of Chairs (and NEBMs) to be introduced.

## **ROLE OF THE CHIEF EXECUTIVE OFFICER (CEO)**

*The CEO is responsible for leadership of the PO and for ensuring its overall effectiveness*

Detail of Requirement	Assessment
<ol style="list-style-type: none"> <li>1. The PO should be led by a CEO, whose duties, roles and responsibilities, terms of office and remuneration should be set out clearly and formally defined in writing. Terms and conditions must be in line with CO guidance and any statutory requirement</li> <li>2. There should be a formal, rigorous and transparent process for the appointment of the CEO.</li> <li>3. the responsibilities of the CEO can include the responsibilities of the Accounting Officer, the Consolidation Officer and Principal Officer for Ombudsman which involve:               <ul style="list-style-type: none"> <li>○ Overall responsibility for the PO's performance, accounting for any disbursements of grant to the PO.</li> <li>○ Establish the PO's corporate and business plans and departmental targets.</li> <li>○ Inform the Ministry of Justice of any complaints about the PO accepted by the Ombudsman for investigation if applicable.</li> <li>○ management of senior staff within the PO ensuring they are meeting objectives and following disciplinary procedures if necessary</li> <li>○ Maintains accounting records that provide the necessary information for the consolidation if applicable.</li> <li>○ (Details of Accounting Officer covered under 10: Effective Financial Management.)</li> </ul> </li> </ol>	<p style="text-align: center;">Comply</p> <p style="text-align: center;">Comply</p> <p style="text-align: center;">Comply</p>
Overall assessment of the role of the CEO	<b>Green</b>

<b>Evidence of compliance or explanation for non-compliance</b>
<p>1 Compliant</p> <p>The Councils' CEO role and responsibilities are described in the letter of appointment and are also included in the code of conduct and Management Statement which are in the public domain (see link at 7.3).</p>
<p>2 Compliant</p> <p>The Department operates a fair and open process for the appointment of a CEO which essentially follows the same procedure as an OCPA regulated recruitment. Although there is no OCPA public appointments assessor involved there is always an independent panel member. For CEOs the appointment panel is chaired by the Director-General Knowledge and Innovation and includes the Director Research Base, the Chair of the Research Council and an independent panel member.</p>
<p>3 Compliant</p> <p>The CE has responsibilities as Accounting Officer, Principle Officer for Ombudsman cases and Consolidation Officer, laid out in the letter of appointment and the Council code of practice and Management Statement which are in the public domain:</p>

<b><u>Strengths identified by the Research Council and sponsor body, and considered by the Review Team</u></b>
<p>BIS conform to a rigorous and transparent appointments process for Council CEOs and oversight is maintained on implementation of CEO responsibilities.</p>

<b>Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team</b>
<p>None identified by AHRC</p>

## **ROLE OF THE NON-EXECUTIVE BOARD MEMBERS**

*As part of their role, non-executive board members provide independent and constructive challenge*

Detail of Requirement	Assessment
<p>Non-executive members should:</p> <ol style="list-style-type: none"> <li>1. Form the majority of the board.</li> <li>2. Be appointed under a formal, rigorous and transparent process Comply with the code of practice issued by OCPA.</li> <li>3. Have their duties, roles and responsibilities, terms of office and remuneration set out clearly and formally defined in writing. Their terms and conditions must be in line with CO guidance and any statutory requirement.</li> <li>4. Be independent of management</li> <li>5. Allocate sufficient time to the board with details of their attendance published.</li> <li>6. Undergo proper induction, and appraisals.</li> <li>7. Their responsibilities include: <ul style="list-style-type: none"> <li>o Establishing strategic direction of the PO and oversee development and implementation of strategies, plans, priorities and performance/financial targets.</li> <li>o Ensuring the PO complies with statutory and administrative requirements on the use of public funds and operates within its statutory and delegated authority.</li> <li>o That high standards of corporate governance are observed.</li> </ul> </li> </ol>	<p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p>



Overall assessment of the role of non-executive directors	<b>Green</b>
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<b>Evidence of compliance or explanation for non-compliance</b>	
1 Compliant	<p>Non-executive members form the majority of the Councils' Board (known as the Council). The only executive member of the AHRC is the AHRC Chief Executive, Professor Rick Rylance. Membership is published at: <a href="http://www.ahrc.ac.uk/About-Us/Governance-structure/AHRC-Council/Pages/AHRC-Council.aspx">http://www.ahrc.ac.uk/About-Us/Governance-structure/AHRC-Council/Pages/AHRC-Council.aspx</a></p>
2 Compliant	<p>Council members are appointed by BIS and the appointments process conforms with OCPA guidance. Appointments are advertised on the public appointments website and in the national press. An independent assessor sits on the interview panel for Council members.</p>
3 Compliant	<p>Council members' role and responsibilities, term of office, remuneration and other terms and conditions are set out in the letter offering appointment, including the accompanying Code of Practice and the Management Statement.</p>
4 Compliant	<p>Council members are independent of any management structures and appointed independent of the management, by BIS.</p>
5 Compliant	<p>Council member attendance is published within the governance statement in the annual report, which is in the public domain: <a href="http://www.ahrc.ac.uk/News-and-Events/Publications/Pages/Annual-report-and-accounts.aspx">http://www.ahrc.ac.uk/News-and-Events/Publications/Pages/Annual-report-and-accounts.aspx</a></p>
6 Compliant	<p>Council members are provided with an induction pack, including information about AHRC activities and copies of relevant governance documents, policies and publications. There is also an induction programme which includes a day's induction at AHRC offices with AHRC Directors and senior members of staff. They also receive preliminary 1:1 meetings with the Chair and Chief Executive. Council members have 1:1 appraisal meetings with the Chairman.</p>

7 Compliant

Responsibilities of Council members are set out in the Management Statement.

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

Council members are provided with an induction pack, including information about AHRC activities and copies of relevant governance documents, policies and publications. There is also an induction programme which includes a day's induction at AHRC offices with AHRC Directors and senior members of staff. They also receive preliminary 1:1 meetings with the Chair and Chief Executive. Council members have 1:1 appraisal meetings with the Chairman.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

This is an area that AHRC keeps under review with Council members in order to ensure that they feel able to contribute to the work of Council in the most effective way possible.

## ***EFFECTIVE FINANCIAL MANAGEMENT***

*The PO has taken appropriate steps to ensure that effective systems of financial management and internal controls are in place*

Detail of Requirement	Assessment
1. publish on time an objective, balanced and understandable annual report which complies with HM Treasury guidance, and includes an Annual Governance Statement;	Comply
2. comply with NAO requirements relating to the production and certification of their annual accounts;	Comply

3. have effective systems of risk management as part of their systems of internal control;	Comply
4. ensure an effective internal audit function is established which operates to Government Internal Audit Standards in accordance with Cabinet Office (CO) guidance;	Comply
5. have appropriate financial delegations in place understood by all relevant staff and stakeholders. effective systems must be in place to ensure compliance with these delegations and the systems are regularly reviewed;	Comply
6. have anti-fraud and anti-corruption measures in place, and clear published rules governing claiming of expenses, with systems in place to ensure compliance. Information on expenses claimed by board members and senior staff should be published;	Comply
7. establish an audit (or audit and risk) committee with responsibility for independent review of the systems of internal control and external audit process;	Comply
8. take steps to ensure objective and professional relationship is maintained with external auditors.	Comply
9. Comply with BIS guidance with regard to any department restrictions on spending.	Comply
10. report to Corporate Finance with management accounts and Grant In Aid authorities	Comply
Overall assessment of effective financial management	<b>Green</b>

<b>Evidence of compliance or explanation for non-compliance</b>
<p>1. Compliant</p> <p>The annual report and NAO approved accounts are published on the AHRC website:</p>

<p><a href="http://www.ahrc.ac.uk/News-and-Events/Publications/Pages/Annual-report-and-accounts.aspx">http://www.ahrc.ac.uk/News-and-Events/Publications/Pages/Annual-report-and-accounts.aspx</a> This contains the governance statement by the CEO (AO).</p>
<p>2. Compliant</p> <p>AHRC's annual accounts have been certified by the National Audit Office (NAO) without qualification</p>
<p>3. Compliant</p> <p>The Council risk register is reviewed every quarter by the Council's Audit Committee.</p> <p>Internal audits are regularly conducted on the risk register. AHRC's last audit was in September 2012 and gave full assurance.</p>
<p>4. Compliant</p> <p>AHRC uses the Research Councils' Audit and Assurance Services Group which operates to Government Internal Audit Standards.</p> <p>A regular programme of audits exists which are approved by the Council's Audit Committee and covers risk management, internal controls and the aspects of Council operation identified in the risk register. The Audit Committee reports to Council after every meeting via a quarterly report. The membership of the Audit Committee is on the website:</p> <p><a href="http://www.ahrc.ac.uk/About-Us/Governance-structure/Audit-Committee/Pages/Audit-Committee.aspx">http://www.ahrc.ac.uk/About-Us/Governance-structure/Audit-Committee/Pages/Audit-Committee.aspx</a></p>
<p>5. Compliant</p> <p>AHRC has a detailed Delegation of Authority policy and scheme, which is reviewed annually. The Policy and scheme are available to all staff. All staff with delegated authority receive a letter setting out what their authority is. These financial delegations are translated to the relevant IT systems and managed by the UK Shared Business Service Ltd, which apply controls based on the delegated authorities.</p>
<p>6. Compliant</p> <p>The Council has anti-fraud and anti-bribery policies in the public domain, here:</p> <p><a href="http://www.ahrc.ac.uk/About-Us/Policies,-standards,-and-forms/Anti-Fraud-Policy/Pages/Anti-Fraud-Policy.aspx">http://www.ahrc.ac.uk/About-Us/Policies,-standards,-and-forms/Anti-Fraud-Policy/Pages/Anti-Fraud-Policy.aspx</a></p> <p><a href="http://www.ahrc.ac.uk/About-Us/Policies,-standards,-and-forms/Anti-Bribery-Policy/Pages/Anti-Bribery-Policy.aspx">http://www.ahrc.ac.uk/About-Us/Policies,-standards,-and-forms/Anti-Bribery-Policy/Pages/Anti-Bribery-Policy.aspx</a></p> <p>Expenses policies for staff are published in the relevant staff codes. Expenses policies</p>

for Council members are published on the website: <http://www.ahrc.ac.uk/About-Us/Policies,-standards,-and-forms/Pages/Policies,-standards,-and-forms.aspx>

The Council's staff all fall under the level normal used for reporting expenses.

The AHRC publish all transactions as required to under transparency requirements, both on our website and data.gov.uk. In the past, they were required to publish all transactions over £25k, however this threshold was removed and all financial transactions need to be published. As the threshold was removed, it has meant that AHRC have been publishing staff and non-staff expenses for several months. AHRC don't specifically highlight the staff/non staff expenses and these aren't published separately.

AHRC has a Fraud Policy and a Travel, Subsistence, Hospitality and Expenses Policy. AHRC is implementing a Fraud and Bribery Act e-learning course which will be mandatory for all staff.

The total expenditure on travel, subsistence and hospitality is provided in the Annual Report and Accounts. Expenses for the Council's staff and individual Council and Board members all fall under the level at which reporting expenses is normally required.

100% of all claim forms are checked with reference to the policy with central finance performing a sample test on top of this.

#### 7. Compliant

AHRC has an Audit Committee which has external membership, details can be found on the website: <http://www.ahrc.ac.uk/About-Us/Governance-structure/Audit-Committee/Pages/Audit-Committee.aspx>

#### 8. Compliant

There are regular and constructive discussions with the NAO.

#### 9. Compliant

AHRC complies with the BIS guidance in relation to spending controls including those introduced by the Cabinet Office in areas such as consultancy and marketing. This is regularly discussed with the BIS-Research Base team. Restrictions are incorporated into the delegated authority policy as appropriate.

#### 10. Compliant

The Council has regular contact with the BIS Corporate and Research Base Finance teams and complies with the requirements for the submission of regular management accounts.

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

A regular programme of internal audits which is approved by the Council's Audit Committee and covers risk management, internal controls and the aspects of Council operation identified in the risk register.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

This is an area that AHRC seeks to keep continually under review through discussions with its Audit Committee.

## **COMMUNICATION AND ENGAGEMENT**

*The Public Body is open, transparent, accountable and responsive*

Detail of Requirement	Assessment
<p>The PO should:</p> <ol style="list-style-type: none"> <li>1. establish clear and effective channels of communication with stakeholders;</li> <li>2. make an explicit commitment to openness in all activities. Engage and consult with public on issues of public interest or concern and publish details of senior staff and board members with contact details;</li> <li>3. hold open board meetings or an annual open meeting;</li> <li>4. proactively publish agendas, minutes of board meetings and performance data;</li> </ol>	<p>Comply</p> <p>Comply</p> <p>Explain</p> <p>Explain</p>

5. establish and publish effective correspondence handling and complaint procedures, and make it simple for members of the public to contact them/make complaints. Complaints should be investigated thoroughly and be subject to investigation by the Parliamentary Ombudsman. Performance in handling correspondence should be monitored and reported on;	Comply
6. comply with any Government restrictions on publicity and advertising, with appropriate rules in place to limit use of marketing and PR consultants. Have robust and effective systems in place to ensure the PO is not engaged in political lobbying, includes restriction on board members attending Party Conferences in a professional capacity.	Comply
7. engage the Sponsor Group appropriately especially in instances where events may have reputational implications on the department.	Comply
Overall assessment of communications	Green

### Evidence of compliance or explanation for non-compliance

#### 1 Compliant

Public engagement and effective communication are part of the Councils' Mission. AHRC has a communication strategy.

In addition some aspects of the Council's communications are coordinated at an RCUK level.

Public engagement and strong and effective communications are central to the AHRC's mission. Aims and activities delivered in support of this mission are documented in the Communications Strategy. Key priorities are the promotion of the excellence of AHRC-funded research and its impact and engaging with key stakeholders in the work of the AHRC.

The key mechanisms through which these are undertaken are:

- Digital communications – The AHRC website is central to its communications activities, both as a means of highlighting funding opportunities but also as a showcase for the research that the AHRC funds. Increasingly important are social media activities, through Twitter, live-streaming of events, blogs, etc, which

provide means for genuine dialogue between the AHRC and key stakeholders

- Press and PR activities – The AHRC engages directly with key editors, journalists and publications to ensure the widest possible reach for stories about AHRC-funded research and its impact.
- Events – The AHRC runs a highly and successful programme of events which bring together key audiences for information-dissemination, engagement and consultative purposes.
- Public engagement – The AHRC provides a wide range of means by which arts and humanities researchers can engage with the public, either directly, through its programmes and initiatives, or through national and regional broadcasting, including its work with the BBC.

## 2 Compliant

AHRC has committed itself to openness in all its activities. The AHRC's website contains information targeted at a range of audiences. <http://www.ahrc.ac.uk/Pages/Home.aspx>

Information about senior staff and council members is published on the website and in the annual report.

The AHRC Council has discussions with a range of stakeholders, including the general public about its forward strategies and activities. It recently held discussions with a wide group of stakeholders, including an open opportunity to comment on a draft document, to help inform its new Strategy 2013-18. One priority area for the AHRC is to develop partnerships between Universities and non-academic bodies, and a scheme to develop this aim is currently being developed.

## 3 Explain

The AHRC does not currently hold Open Council meetings, but engages extensively with the public as laid out in the Communications Strategy (see 12.1). However, as part of seeking to continually strengthen work in this area, they are committed to discussing with Council plans to move to hold an Open Council meeting every year. This could potentially tie in with the annual regional Council meeting which takes place in a different part of the country each year, and will enable the public from across the UK to attend an Open Council meeting.

The AHRC engages extensively with its community through its communications activities. The AHRC runs some 70 events per annum, engaging through these with all its key stakeholders, including senior managers, research managers and administrators, Peer Review College members, subject associations, researchers across all its priority areas, postgraduate students and early career researchers, policy-makers, non-academics across a range of relevant sectors, including representatives from the creative industries, community groups, the voluntary and



charity sector, and many more.

Digital communications are increasingly important as a means of dialogue with key stakeholders, with Twitter being used as a means of eliciting the views of key audiences, including postgraduate and early career researchers.

#### 4 Explain

The agendas, and minutes of AHRC council meetings are available on request but are not currently published on the website. AHRC have experienced minimal demand from the public to view agendas and minutes but are currently reviewing our policy in this area and plan to make agendas and minutes available in the near future.

In addition the Council publishes a range of additional documents including delivery plans, strategic plans and annual reports:

<http://www.ahrc.ac.uk/News-and-Events/Publications/Documents/Delivery-Plan-2011-2015.pdf>

<http://www.ahrc.ac.uk/News-and-Events/News/Documents/AHRC-Strategy-2013-18.pdf>

<http://www.ahrc.ac.uk/News-and-Events/Publications/Pages/Annual-report-and-accounts.aspx>

A variety of performance data is published in AHRC's Annual Report and Accounts.

#### 5 Compliant

The Council has a formal Complaints policy, a Data Protection Policy and a Freedom of Information Policy, all of which are available in the Policies section of its website: <http://www.ahrc.ac.uk/About-Us/Policies,-standards,-and-forms/Pages/Policies,-standards,-and-forms.aspx>

#### .6 Compliant

The Council has complied with central government spending control requirements on publicity and advertising. It avoids engagement in political lobbying and has regularly informed its council members and staff on the restrictions on participation in Party Conferences.

#### 7 Compliant

The AHRC has a proactive engagement with its sponsor team within BIS Research Base. This includes:

- 6 monthly review meetings as part of the performance management programme between AHRC SMT and senior staff in Research Base;

- regular interaction via face-to-face, email and telephone between CEO and senior Research Base staff, and AHRC Directors with lead sponsor on key issues of delivery and strategy;
- frequent ideas exchange and bespoke briefing around key ministerial statements relating to arts and humanities and wider creative economy issues;
- discussion and briefing on issues surrounding communications and announcements relevant to major initiatives (i.e. postgraduate funding, KE Hubs).

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

The Council makes available a wide range of information on its activities and operations.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

AHRC will discuss with Council plans to move to hold an Open Council meeting every year.

**CONDUCT AND PROPRIETY**

*The board and staff of the PO work to the highest personal and professional standards. They promote the values of the PO and of good governance through their conduct and behaviour*

Detail of Requirement	Assessment
1. a Code of Conduct must be in place setting out the standards of personal and professional behaviour and propriety expected of all board members which follows the Cabinet Office Code and form part of the terms and conditions of appointment;	Comply

<p>2. the PO has adopted a Code of Conduct for staff based on the Cabinet Office model Code and forms part of the terms and conditions of employment;</p> <p>3. there are clear rules and procedures in place for managing conflicts of interest. There is a publicly available Register of Interests for board members and senior staff which is regularly updated;</p> <p>4. there are clear rules and guidelines in place on political activity for board members and staff with effective systems in place to ensure compliance with any restrictions;</p> <p>5. there are rules in place for board members and senior staff on the acceptance of appointments or employment after resignation or retirement which are effectively enforced;</p> <p>6. Board members and senior staff should show leadership by conducting themselves in accordance with the highest standards of personal and professional behaviour and in line with the principles set out in respective Codes of Conduct.</p>	<p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p>
<p>Overall assessment of conduct and propriety</p>	<p><b>Green</b></p>

### Evidence of compliance or explanation for non-compliance

#### 1 Compliant

There is a published Code of Practice for Council members which has recently been updated and will be available in the public domain. The former version is at: <http://www.ahrc.ac.uk/About-Us/Policies,-standards,-and-forms/Code-of-Practice/Pages/Code-of-Practice.aspx>

#### 2 Compliant

The AHRC has a Staff Code of Conduct.

#### 3 Compliant

Guidance on conflicts of interest for Council, Board, Committee and Panel Members is provided in the Code of Practice issued with the letter offering appointment. Council

<p>members declared interests are published on the public data section of the website:</p> <p><a href="http://www.ahrc.ac.uk/About-Us/Governance-structure/AHRC-Council/Pages/Register-of-Interests.aspx">http://www.ahrc.ac.uk/About-Us/Governance-structure/AHRC-Council/Pages/Register-of-Interests.aspx</a></p> <p>Declarations of interest for the CEO, Directors and Associate Directors are published in the Annual Report.</p>
<p>4. Compliant.</p> <p>The Council members' Code of Practice, which accompanies the letters offering appointment to the Council, provides guidelines on political activity. Council members are reminded of appropriate guidance whenever this is issued by Cabinet Office.</p> <p>The Staff Codes do not directly address the issue of political impartiality as the AHRC custom and practice is to internally circulate guidance on staff conduct during purdah provided by the sponsor department. Staff are also made aware of their duty to 'The Seven Principles of Public Life' during induction to the organisation.</p>
<p>5 Compliant</p> <p>The rules covering acceptance of employment after resignation or retirement are covered in the council Code of Conduct for Council members and in appointment letters for senior staff, see below:</p> <p><b>Confidentiality</b></p> <p>You are not during or after the termination of your employment to use or to disclose to anyone (other than in the proper course of your employment with the AHRC or subject to the Public Interest Disclosure Act 1998) any information of a confidential nature relating to the AHRC or to its business including, without limiting the generality of the above, confidential information relating to: financial information; information relating to the decision making process on the award of grants; corporate and operating plans; information relating to award holders and applicants for awards; unpublished financial information of all kinds; details of supply contracts; technical information (for example information about computer software); details of employees; and, any information which you have been told is confidential or which you might reasonably expect to be confidential. You acknowledge that, while performing your duties and as a result of the nature of the AHRC's business, you will have access to and come into contact with confidential information belonging to the AHRC. For the avoidance of doubt, this clause shall not apply to information that is in the public domain other than information in the public domain as a result of your default or unauthorised disclosure or that of a third party.</p>
<p>6 Compliant</p> <p>The Council members' Code of Practice, which accompanies the letters offering appointment to the Council, makes it clear that individual Board members should be</p>

aware of their conduct and wider responsibilities as members of the Board and that they should follow the Nolan Committee's "Seven Principles of Public Life".

Council, Board and Committee members are selected as leaders within their peer groups. Senior staff regularly visit Higher Education Institutions and visits are perceived with esteem. There have been no complaints raised against senior members of staff, or Council, Board and Committee members, in the past seven years.

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

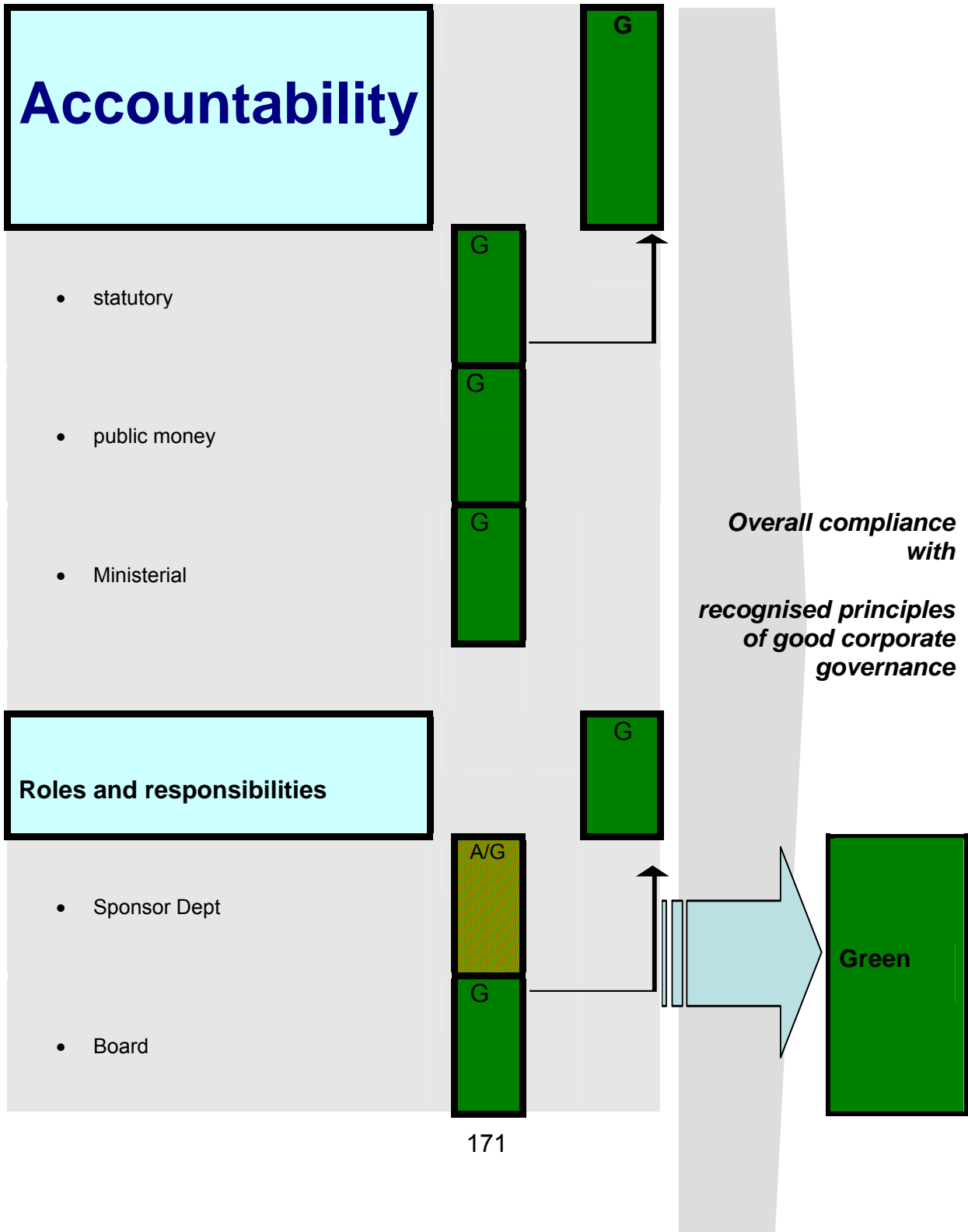
The Seven Principles of Public Life are emphasised to both Council members and staff.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

This is an area that AHRC seeks to keep continually under review.

# Annex H: Detailed Assessment - BBSRC

## SUMMARY ASSESSMENT



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<ul style="list-style-type: none"><li>• Chair</li><li>• CEO</li><li>• NEDS</li></ul>	G	
	G	
	G	
<b>Effective financial management</b>		G
<b>Communication</b>		G
<b>Conduct and behaviour</b>		G

**STATUTORY ACCOUNTABILITY**

*Does the public body comply with all applicable statutes and regulations and other relevant good practice?*

Detail of Requirement	Assessment
<p>The PO:</p> <ol style="list-style-type: none"> <li>1. complies with all statutory and administrative requirements on the use of public funds (inc HMT Managing Public Money, and CO/HMT spending controls);</li> <li>2. operates within the limits of its statutory authority and in accordance with delegated authorities agreed with BIS;</li> <li>3. operates in line with statutory requirements for the Freedom of Information Act;</li> <li>4. has a comprehensive publication scheme;</li> <li>5. proactively releases information that is of legitimate public interest;</li> <li>6. Produces annual reports and accounts which are laid before Parliament</li> <li>7. complies with data protection legislation;</li> </ol> <p>complies with Public Records Acts 1958 and 1967.</p>	<p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p>



Overall assessment of statutory accountability	<b>Green</b>
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Evidence of compliance or explanation for non-compliance
<p>1 Compliant</p> <p>BBSRC's 2012/13 NAO-audited accounts are available on the BBSRC website: <a href="http://www.bbsrc.ac.uk/publications/accounts/bbsrc-annual-12-13.aspx">http://www.bbsrc.ac.uk/publications/accounts/bbsrc-annual-12-13.aspx</a></p> <p>The NAO gave these accounts an unqualified assurance.</p> <p>Accounting procedures are also internally audited, the last report on 1 May 2013 gave Substantial Assurance.</p>
<p>2 Compliant</p> <p>The Research Councils' delegated authorities are laid out in a letter of delegation, which is evergreen, i.e. operates until superseded.</p> <p>Compliance with this is demonstrated through the published annual accounts.</p>
<p>3 Compliant</p> <p>BBSRC's compliance with the Freedom of Information Act was last audited in 2010-11 and gave <i>substantial</i> assurance. In addition, a cross-Research Council Freedom of Information Audit in 2011-12 (Ref. CCA02-1112) gave a Substantial Assurance rating.</p> <p>The Councils provide Freedom of Information guidance to staff.</p> <p>In 2012 BBSRC received 17 requests for information under the Act and responded to all within the statutory time period.</p> <p>To comply with the Act, Research Councils also have to provide a 'Publication Scheme' on their website: <a href="http://www.bbsrc.ac.uk/web/FILES/Publications/publication-scheme.pdf">http://www.bbsrc.ac.uk/web/FILES/Publications/publication-scheme.pdf</a>. This is required to proactively provide as much corporate information as possible to the general public, without them having to ask for it to be made available.</p>
<p>4 Compliant</p> <p>BBSRC's publication scheme is available at: <a href="http://www.bbsrc.ac.uk/web/FILES/Publications/publication-scheme.pdf">http://www.bbsrc.ac.uk/web/FILES/Publications/publication-scheme.pdf</a>.</p>

One of each Research Councils' three Royal Charter objectives is to disseminate knowledge. This is accomplished in part by each Research Council's communication strategy. This is in addition to compliance with FOI statutes (see Q3 above).

These communication strategies include the publication of a range of documents on the council website including:

- annual reports and accounts

[www.bbsrc.ac.uk/annualreport](http://www.bbsrc.ac.uk/annualreport)

- delivery plans and impact reports

[www.bbsrc.ac.uk/publications/planning/bbsrc-delivery-plan.aspx](http://www.bbsrc.ac.uk/publications/planning/bbsrc-delivery-plan.aspx)

- strategic plans and subject specific strategies

[www.bbsrc.ac.uk/strategy](http://www.bbsrc.ac.uk/strategy)

- Stakeholder engagement publications, e.g.

<http://www.bbsrc.ac.uk/web/FILES/Publications/research-innovation-campuses.pdf>

<http://www.bbsrc.ac.uk/web/FILES/Publications/1210-biology-by-design.pdf>

<http://www.bbsrc.ac.uk/web/FILES/Publications/1210-scprid.pdf>

and stakeholder, public and end-user engagement through:

Social media, e.g. Twitter <http://www.twitter.com/bbsrc> and LinkedIn

<http://www.linkedin.com/company/339051?trk=tyah>

Email news update: <http://www.bbsrc.ac.uk/news/news-email/news-email-index.aspx>

- End-user engagement and research dissemination and impact publications

[www.bbsrc.ac.uk/news/business-magazine/business-magazine-index.aspx](http://www.bbsrc.ac.uk/news/business-magazine/business-magazine-index.aspx)

[www.bbsrc.ac.uk/publications/impact/impact-evidence-reports-index.aspx](http://www.bbsrc.ac.uk/publications/impact/impact-evidence-reports-index.aspx)

- Strategic priority or topic-led publications for public or end-user audiences.

[www.bbsrc.ac.uk/publications/topic/topic-index.aspx](http://www.bbsrc.ac.uk/publications/topic/topic-index.aspx)

- Evaluation reports (which examine the relevance, performance, efficiency and impact of BBSRC's programmes and schemes)

<http://www.bbsrc.ac.uk/organisation/policies/reviews/funded-science/funded-science-index.aspx>

5 Compliant

In addition to publication of key documents (Q4 above) and documents published to facilitate compliance with the FOI act (Q3 above) - to comply with their Royal Charter Objectives councils publish regular news items and featured research articles:

[www.bbsrc.ac.uk/news/news-index.aspx](http://www.bbsrc.ac.uk/news/news-index.aspx)

Councils also have a data sharing policy to allow the appropriate sharing of research outputs in a timely manner: [www.bbsrc.ac.uk/datasharing](http://www.bbsrc.ac.uk/datasharing)

<p>RCUK have an agreed policy on open access which will improve public access to the outputs of publically funded research:  <a href="http://www.rcuk.ac.uk/documents/documents/RCUKOpenAccessPolicy.pdf">www.rcuk.ac.uk/documents/documents/RCUKOpenAccessPolicy.pdf</a></p>
<p>6 Compliant</p> <p>Councils make their annual reports and accounts publically available; these are laid before parliament prior to publication: <a href="http://www.bbsrc.ac.uk/annualreport">www.bbsrc.ac.uk/annualreport</a></p>
<p>7 Compliant</p> <p>All councils have Data Protection officers and have filed notifications with the ICO. Effective delivery of the regulation is covered by regular internal audit. The last audit of this for BBSRC was conducted in 2010-11 and gave a Substantial Assurance rating.</p> <p>There is currently a cross-Council audit on data-protection taking place which is due to report later in the year.</p>
<p>8 Compliant</p> <p>All Research Councils comply with the Acts' relevant codes of practice and regulations and have appropriate record retention and archiving policies to reflect this.</p> <p>BBSRC is not currently a signatory to the Public Records Act. At the time when the rest of the councils signed up in 2007/08, commitments with higher priority work outweighed the potential benefits of sign up. However, BBSRC did, and continues to, ensure that its information and records management processes remain compliant with the regulations and codes of practice of the Act through implementation of information and records policies and retention schedules. Currently an internal information review and information management improvement project is underway for both paper and electronic records, where sign up to the Act is being considered as a part of this exercise.</p>

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

BBSRC meets the statutory requirements and regulations set out in this section. BBSRC's compliance with Freedom of Information and Data Protection legislation have been audited and given *substantial assurance* ratings.

BBSRC is proactive in releasing information that it is of public interest and publishes range of documents on its website as part of its communications strategy.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

Ref 8 (currently compliant): BBSRC complies with the codes of practice and regulations associated with the Public Records Act, but is not a formal signatory to the Act. BBSRC will consider signing up formally to the Public Records Act.

## **ACCOUNTABILITY FOR PUBLIC MONEY**

*The Accounting Officer of the PO is personally responsible and accountable to Parliament for the use of public money by the body and the stewardship of assets*

Detail of Requirement	Assessment
2. there is a formally designated Accounting Officer (AO) who in particular has a responsibility to provide evidence-based assurances required by the Principal Accounting Officer (PAO);	Comply
3. the role, responsibilities and accountability of the AO should be clearly defined and understood and the AO should have received appropriate training;	Comply
4. the PO should be compliant with requirements set out in Managing Public Money, relevant Dear Accounting Officer letters and other directions;	Comply
5. the PO should establish appropriate arrangements to ensure that public funds: <ul style="list-style-type: none"> <li>○ are properly safeguarded;</li> <li>○ are used economically, efficiently and effectively;</li> <li>○ are used in accordance with the statutory or other authorities that govern their use;</li> <li>○ deliver value for money for the Exchequer as a whole;</li> </ul>	Comply

<ul style="list-style-type: none"> <li>○ are subject to Treasury approval, either directly or through established delegated authority;</li> </ul> <p>5. the annual accounts are laid before Parliament after certification by the Comptroller and Auditor General</p>	Comply
Overall assessment of accountability for public money	<b>Green</b>

### Evidence of compliance or explanation for non-compliance

#### 1 Compliant

For all Research Councils, the Chief Executive is Accounting Officer for the Council, with delegated authorities outlined in the letter of delegation from the Permanent Secretary (as Principle Accounting officer) sent via the relevant Director General on his behalf.

#### 2 Compliant

New CEs receive appropriate training, which is provided by BIS.

#### 3 Compliant

The Research Councils receive regular formal communications from BIS with instructions for compliance with any revised accountabilities. The compliance and robustness of any controls is checked regularly by internal audit. The last audit which covered compliance with accountability was conducted in 2011-12 and gave Substantial Assurance.

In addition, a Financial Management Capability Review of BBSRC was recently carried out by Deloitte, on behalf of BIS. The review rated the financial management capability across BBSRC as either 'advanced' or 'leading practice' in all areas reviewed. It scored BBSRC's performance at an average of 4.93 out of a possible 5.0 across the four faces of finance "Stewardship, Strategist, Catalyst and Operator". The results of the review highlighted a number of areas of best practice within BBSRC that it suggested BIS could consider implementing across the PO family in order to improve efficiency and quality within the finance functions. The review report is published at: <http://www.bbsrc.ac.uk/organisation/policies/reviews/operational/1301-financial-management-review.aspx>

**4 Compliant**

The BBSRC Chief Executive, as the Accounting Officer, has delegations laid down by BIS. These delegations are handled internal through internal delegation authorities. The robustness of these controls is checked regularly by internal audit. The last audit which covered financial controls was conducted in 2012-13 and gave Substantial Assurance.

The Comptroller and Auditor General, in reviewing BBSRC's Annual Report and Accounts, is required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

In addition, BBSRC and the Research Councils collectively invest in evaluation measures to demonstrate the delivery of the mission, in collaboration with BIS. Citation metrics demonstrate the UK leads in research excellence globally and is only ever second to the US.

**5 Compliant**

BBSRC's accounts are signed-off by the Auditor General and laid before parliament after certification by the NAO; the accounts can be found at: <http://www.bbsrc.ac.uk/annualreport>

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

BBSRC has appropriate financial controls in place, confirmed by a *substantial assurance* rating being given following internal audit in 2012/13.

In a recent external review, BBSRC's financial management capability was rated as either 'advanced' or 'leading practice' in all areas reviewed, and a number of areas of best practice were identified.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

Ref 4 (currently compliant):

As described earlier, Research Councils have multiple arrangements in place to ensure the good use of public funds at the individual Research Council level.

In addition, Research Councils work together as Research Councils UK to ensure the good use of public funds at the collective level:

In 2006 Research Councils established RCUK Shared Service Centre Ltd. to deliver efficiency savings through providing shared back-office functions to the seven Research Councils. In 2012 the company began delivering shared services to the wider BIS family of partner organisations as UK SBS Ltd.

Research Councils are keen to go further though, and are exploring with BIS:

Changes to the governance of RCUK Executive Group to charge the group with responsibility for delivering collective efficiency savings and transformational change across Research Councils.

A stronger role for the BIS DG Knowledge & Innovation to enable more agile decision making within RCUK Executive Group.

The establishment of an RCUK Chairs forum as an advisory forum on issues of governance.

These changes build on Recommendations 8 and 9 from Stage One of the Triennial Review of the Research Councils.

## **MINISTERIAL ACCOUNTABILITY**

*The Secretary of State is ultimately accountable to Parliament and the public for the overall performance of the public body*

Detail of Requirement	Assessment
1. the Secretary of State and Sponsor should exercise appropriate scrutiny and oversight of the PO;	Comply
2. appointments to the board should be made in line with any statutory requirements and, where appropriate, with the <i>Code of Practice</i> issued by OCPA;	Comply

<p>3. the Secretary of State will normally appoint the Chair and all non-executive board members of the PO and be able to remove individuals whose performance or conduct is unsatisfactory;</p>	<p>Comply</p>
<p>4. the Secretary of State should be consulted on the appointment of the Chief Executive and will normally approve the terms and conditions of employment;</p>	<p>Comply</p>
<p>5. the Secretary of State should meet the Chair and/or Chief Executive on a regular basis;</p>	<p>Comply</p>
<p>6. Parliament should be informed of the activities of the PO through publication of an annual report;</p>	<p>Comply</p>
<p>7. a range of appropriate controls and safeguards should be in place to ensure that the Secretary of State is consulted on key issues and can be properly held to account (e.g. Business Plan, power to require information, a general or specific power of Ministerial direction over the PO, a power for the Secretary of State to be consulted on key financial decisions.)</p>	<p>Comply</p>
<p>Overall assessment of Ministerial Accountability</p>	<p><b>Green</b></p>

<p><b>Evidence of compliance or explanation for non-compliance</b></p>
<p>1 Compliant</p> <p>There are frequent Ministerial meetings with Chief Executives and Chairs on topical issues as they arise. In addition, the Minister for Universities and Science has regular (bi-monthly) meetings with the seven Chief Executives as well as regular one-to-one meetings with the Chair of Research Councils UK, and for each of the Research Councils has attended Council meetings by invitation.</p> <p>Following accountability meetings with the BIS Sponsor Director and team, the Minister for Universities and Science also receives regular twice yearly updates on the</p>



<p>performance of the Research Councils and upcoming issues and risks:</p> <p>BIS Ministers are frequently involved in announcements about new Research Council developments and initiatives and there is regular and frequent communications between the Research Council and BIS comms teams.</p>
<p>2 Compliant</p> <p>As an upper tier body, appointments to Council are required to be made in accordance with the OCPA Code of Practice. For the recruitment of Research Council Chairs the OCPA code requires an OCPA Public Appointments Assessor to chair the appointment panel and certify the overall process met the OCPA code in a final written report. There is also an independent panel member. For Council members the OCPA code requires there to be an independent panel member. At the end of the recruitment the Department certifies that the recruitment was conducted in accordance with the Code. These certificates are available. The recruitment of Chief Executives is not covered by the OCPA Code but in the spirit of fair and open recruitment the Department uses a process analogous to the OCPA Code.</p>
<p>3 Compliant</p> <p>The Secretary of State is responsible for appointing the Chair, Chief Executive and Council members. The sponsorship team is responsible for the management of appointments and submission of names to Ministers.</p> <p>Appointment letters note that Board Members may be removed from office by the Secretary of State on grounds of incapacity or misbehaviour or a failure to observe the terms and conditions of the appointment. Appointment letters are available.</p>
<p>4 Compliant</p> <p>The Secretary of State is responsible for the recruitment of and makes the final decision on who is appointed as Chief Executive. Terms and conditions for Chief Executives consist of an appointment letter from the Department supplemented by a further Service Contract issued by the Research Council.</p>
<p>5 Compliant</p> <p>The Minister has regular (bi-monthly) meetings with the seven Chief Executives as well as regular one-to-one meetings with the Chair of Research Councils UK, and for each of the Research Councils has attended Council meetings by invitation. This is in addition, to frequent <i>ad hoc</i> discussion with Chief Executives, Chairs and others within Research Councils, of topical issues as they arise.</p>
<p>6 Compliant</p> <p>The BBSRC Annual Report and Accounts are laid before Parliament prior to their</p>

official publication: <http://www.bbsrc.ac.uk/annualreport>

#### 7 Compliant

The Research Council's Management Statement and Financial Memorandum sets out provisions for the Secretary of State to be consulted on key decisions. In 2012/13 The Department and the Councils have been updating the language and terminology used in the documents and it is planned that revised versions will be available in September 2013.

Research Councils consult BIS Ministers on its key strategic documents, including its Delivery Plans. Decisions going beyond Research Councils' delegated financial authority are also submitted to BIS for endorsement and agreement.

BIS Ministers are frequently involved in announcements about new Research Council developments and initiatives and there are regular and frequent communications between the Research Council and BIS comms teams.

#### **Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

Very strong Ministerial engagement with the work of the Research Councils.

#### **Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

No areas for improvement identified by BBSRC

## **ROLE OF THE SPONSORING GROUP**

*BIS ensures that there are robust governance arrangements with the board of each PO setting out the terms of their relationship, and how they will be put in place to promote high performance and safeguard propriety and regularity*

Detail of Requirement	Assessment
<ol style="list-style-type: none"> <li>1. The Group should scrutinise the performance of the PO. There should be appropriate systems and processes to ensure effective governance, risk management and internal control in the PO;</li>   <li>2. There should be a Framework Document in place which sets out clearly the aims, objectives and functions of the PO and the respective roles and responsibilities of the Secretary of State, the Sponsoring Group and the PO. It should be regularly reviewed and updated and follow relevant CO and HMT guidance. The Framework document should include a Financial Memorandum as an appendix. A review of the Framework document should be carried out every three years and in line with the Triennial Review.</li>   <li>3. A Sponsor should be identified and there should be regular and on going dialogue between the Sponsoring Group and the PO. Senior officials from the Sponsoring Group may as appropriate attend board and/or committee meetings.</li> </ol>	<p style="text-align: center;">Comply</p> <p style="text-align: center;">Explain</p> <p style="text-align: center;">Comply</p>
Overall assessment of the role of the Sponsoring Group	<b>Amber/Green</b>

## Evidence of compliance or explanation for non-compliance

### 1 Compliant

Overall performance and issues concerning governance and internal control in the Research Councils are reviewed as part of the formal six-monthly review meetings with the Chief Executive and senior team of each Research Council, and are as appropriate, also included in more frequent one-to-one meetings between BIS and the Chief Executive. In addition, the Research Councils provide BIS with quarterly performance and risk reports. Examples of quarterly reports and notes of accountability meetings are available.

In addition, BIS is represented with observer status at Council meeting

### 2 Explain

A formal Management Statement sets out the roles and responsibilities of both the Research Council and the Department. A Financial Memorandum is also in place as a separate document governing the financial relationship between the Research Council and the Department. Copies are available.

In 2012/13 The Department and the Councils have been updating the language and terminology used in the documents and it is planned that revised versions will be available in September 2013.

Changes may be required as a result of the outcome of the Triennial Review of the Research Councils.

### 3 Compliant

Regular and frequent dialogue takes place between the Sponsor Team and the Research Council, in addition to six-monthly review meetings and regular one-to-one meetings between BIS and the Chief Executive.

The Sponsor team has senior official representation as an observer at Council meetings with Jeremy Clayton (Director) / Graeme Reid (Deputy Director) attending as an observer.

In the BIS Finance-led Partner Organisation Assessment Exercise, relationships between the BIS sponsor and the partner organisation have been rated strongly.

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

Strong relationships between the Research Council and the sponsoring group, with frequent and regular dialogue.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

Management Statements are in need of updating.

## ***ROLE OF THE BOARD***

*The PO is led by an effective board which has collective responsibility for its overall performance and success, and provides strategic leadership, direction, support and guidance. The board has an appropriate balance of skills, experience, independence and knowledge, with a clear division of roles and responsibilities between Executives and Non-Executives*

Detail of Requirement	Assessment
<p>The Board of the PO should:</p> <ol style="list-style-type: none"> <li>1. meet regularly, retain effective control over the PO, and monitor the SMT, holding the CEO accountable for the performance and management of the PO;</li> <li>2. be appropriate in size with membership from a diverse background;</li> <li>3. establish a framework of strategic control specifying what matters are reserved for the board and establish arrangements to ensure it has access to relevant information, advice and recourses to carry out its role effectively;</li> </ol>	<p>Comply</p> <p>Comply</p> <p>Comply</p>

4. establish formal procedural and financial regulations to govern the conduct of its business;	Comply
5. make a senior executive responsible for ensuring appropriate advice is given on financial matters, procedures are followed, and that all applicable statutes and regulations and other relevant statements of best practice are complied with;	Comply
6. establish a remuneration committee to make recommendations on the remuneration of top executives. Information on senior salaries should be published and rules for recruitment and management of staff provide for appointment and advancement on merit;	Comply
7. evaluated annually, including an evaluation of the chair and board members.	Explain
Overall assessment of role of the Executive Board	<b>Green</b>

### Evidence of compliance or explanation for non-compliance

#### 1 Compliant

BBSRC's Governing Board (known as 'Council') meets 4 times per year. Council receives regular reports from the BBSRC Chief Executive and scrutinises the work of the senior management team in delivering the agreed strategy. It holds the Chief Executive and senior management team to account for the management of the Council's work.

#### 2 Compliant

The governing board of the organisation is the Council, which consists of the Chair, Chief Executive acting as Deputy Chair, and 16 Council members, of whom 7 are academics from the Council's research community. This size and composition is consistent with the Council's Royal Charter, which states

*"The Council shall consist of a Chairman, a Chief Executive and Deputy Chairman, and not less than ten nor more than eighteen other members, at least half of whom*

*shall be appointed by reason of their qualifications in science or engineering”*

As such, the size of the governing board is larger than might normally be expected. However, the diverse representation which this larger size enables does have the benefit of providing a demonstrable sense of 'ownership' of the organisation from across the Council's diverse academic and user community. As such, the Council to an extent performs a dual role of governing board and stakeholder forum.

While BIS seeks to obtain as diverse a Board as possible, the prime factor in making appointments will always be the experience and expertise an individual will bring to the role.

The current membership of BBSRC Council is published at:  
<http://www.bbsrc.ac.uk/organisation/structures/council/>

Past membership can be found in the annual reports which are in the public domain:  
<http://www.bbsrc.ac.uk/annualreport>

BBSRC's Royal Charter is available at:  
[http://www.bbsrc.ac.uk/web/FILES/Legal/royal\\_charter.pdf](http://www.bbsrc.ac.uk/web/FILES/Legal/royal_charter.pdf)

3 Compliant

The framework for all governance and control is contained within the *Code of Practice for Council Members* which includes aspects such as strategic control and financial management. In addition the *BBSRC Handbook for Board, Panel and Committee Members* outlines how the framework operates. These documents are in the public domain:

Code of Practice for Council Members (which includes BBSRC's Management Statement and Financial Memorandum):  
<http://www.bbsrc.ac.uk/web/FILES/Legal/council-code-of-practice.pdf>

Handbook for Council, Board, Panel and Committee Members:  
[http://www.bbsrc.ac.uk/web/FILES/Guidelines/bbsrc\\_handbook.pdf](http://www.bbsrc.ac.uk/web/FILES/Guidelines/bbsrc_handbook.pdf)

Some of the governance documents included within the Code of Practice contain out-of-date references (e.g. to OST or DIUS). The Research Councils have taken the initiative to update these in accordance with current organisational structures, government guidance and Cabinet Office best practice, in consultation with the PO (BIS).

4 Compliant

see above

5 Compliant

The Director of Finance has been nominated as the senior executive responsible for

providing advice to the Board on financial matters. He prepares the annual Governance Statement which is signed by the CEO as part of the process of completing the annual report and accounts. The Director of Finance is responsible for compliance with HM Treasury rules on managing public money.

#### 6 Compliant

The annual accounts contain a remuneration report. This is managed by the independent remuneration board. This report outlines the remuneration of BBSRC's Council members and senior staff, including performance related bonuses. These documents are in the public domain:

<http://www.bbsrc.ac.uk/publications/accounts/bbsrc-annual-12-13.aspx>

#### 7 Explain

BBSRC Council members are reviewed annually via a self-assessment which is then reviewed, including a 1:1 meeting with each member, by the CE and Chair. BBSRC also runs an annual collective appraisal of Council where members can, in confidence, evaluate and comment on the performance of the Chair and members of the BBSRC Executive in relation to Council.

BIS does not currently assess the performance of the Board or Chair as part of any formal evaluation. BIS is looking to introduce annual evaluations of Council Chairs.

### **Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

BBSRC has in place an effective governing board (Council), which meets regularly, and whose membership covers a diverse range of expertise appropriate to BBSRC's remit. A framework of governance and strategic control is in place and set out clearly in the BBSRC Code of Practice for Council Members and accompanying handbook.

### **Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

Ref.3: As described above, a framework of governance and strategic control is in place and set out in the BBSRC Code of Practice for Council Members and accompanying handbook. However, some of the governance documents included within the Code of Practice contain out-of date references (e.g. to OST or DIUS), and are in the process of being updated in accordance with current organisational structures, government guidance and Cabinet Office best practice, in consultation with BIS.

Ref 7. The arrangements for assessing the performance of BBSRC Council and its Chair by BIS will be reviewed.



## **ROLE OF THE CHAIR**

*The Chair is responsible for leadership of the board and for ensuring its overall effectiveness*

Detail of Requirement	Assessment
<p>1. The Board should be led by a non-executive Chair, whose duties, roles and responsibilities, terms of office and remuneration should be set out clearly and formally defined in writing. Terms and conditions must be in line with CO guidance and any statutory requirement.</p>	Comply
<p>2. There should be a formal, rigorous and transparent process for the appointment of the Chair, which is compliant with the Code of Practice issued by OCPA. The Chair should have a role in the appointment of non executives.</p>	Comply
<p>3. the responsibilities of the Chair can include:</p> <ul style="list-style-type: none"> <li>○ representing the PO in discussions with the Secretary of State</li> <li>○ advising the Sponsor Group/the Secretary of State about board appointments and performance of non-executive members</li> <li>○ Ensuring non executives understand their responsibilities; are trained appropriately and undergo annual assessments.</li> <li>○ Ensure the board takes account of guidance provided by the Secretary of State; carries out its business efficiently and effectively, has its views represented to the public.</li> <li>○ Develop effective working relationships with the CEO (role of Chair and CEO must be held by different individuals.)</li> <li>○ subject to an annual appraisal by the Permanent Secretary or relevant Director General</li> <li>○ Appraises other board members ensuring they are performing to standard, following disciplinary procedures if necessary and ensuring they are committing the appropriate time to the work.</li> </ul>	Explain

Overall assessment of the role of the Chair	<b>Green</b>
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Evidence of compliance or explanation for non-compliance
<p>1 Compliance</p> <p>The Council has a non executive chair who is appointed by BIS.</p> <p>BBSRC's current Chair is Professor Sir Tom Blundell FRS FMedSci, Director of Research and Professor Emeritus of Biochemistry at the University of Cambridge.</p>
<p>2 Compliance</p> <p>An independent public appointments assessor sits on the interview/selection panel for the chair.</p> <p>The Chair of BBSRC Council sits on the appointments panel for new BBSRC Council members.</p>
<p>3 Explain</p> <p>The responsibilities of the Chair are laid out in the Code of Practice, which is available in the public domain: <a href="http://www.bbsrc.ac.uk/web/FILES/Legal/council-code-of-practice.pdf">http://www.bbsrc.ac.uk/web/FILES/Legal/council-code-of-practice.pdf</a></p> <p>According to the Code of Practice, the Chair's responsibilities include the following:</p> <ul style="list-style-type: none"> <li>• With assistance from the Chief Executive, the Chair has particular responsibility for providing effective strategic leadership on matters such as: <ul style="list-style-type: none"> <li>○ formulating Council's strategy for discharging its mission, as set out in the Royal Charter;</li> <li>○ effective execution of Council's decisions through the Chief Executive;</li> <li>○ encouraging high standards of propriety and promoting the efficient and effective use of staff and other resources throughout BBSRC;</li> <li>○ ensuring that Council, in reaching decisions, takes proper account of guidance provided by BIS;</li> </ul> </li> </ul>

- representing the views of Council to the general public;
- providing BIS with an assessment of the performance of individual Council members when they are being considered for re-appointment to Council or for appointment to the board of some other public body.
- The Chair should ensure that Council meets at regular intervals throughout the year and that the minutes of Council meetings accurately record the decisions taken, any conflicts of interests and, where appropriate, the views of individual Council members.
- The Chair should ensure that all Council members are fully briefed on the terms of their appointment and on their duties, rights and responsibilities and should direct new Council members to attend an induction programme.

BBSRC Council members are reviewed annually via a self-assessment which is then reviewed by the CE and Chair. BBSRC also runs an annual collective appraisal of Council where members can, in confidence, evaluate and comment on the performance of the Chair and members of the BBSRC Executive in relation to Council.

BIS does not currently assess the performance of the Chair as part of any formal evaluation.

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

Steps are taken to ensure that the process for the appointment of BBSRC’s Chair is compliant with the Code of Practice issued by OCPA.

The role of the Chair is set out clearly in the Code of Practice.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

Ref 3 The arrangements by BIS for assessing the performance of the Chair of BBSRC Council will be reviewed.

## **ROLE OF THE CHIEF EXECUTIVE OFFICER (CEO)**

*The CEO is responsible for leadership of the PO and for ensuring its overall effectiveness*

Detail of Requirement	Assessment
<ol style="list-style-type: none"> <li>1. The PO should be led by a CEO, whose duties, roles and responsibilities, terms of office and remuneration should be set out clearly and formally defined in writing. Terms and conditions must be in line with CO guidance and any statutory requirement</li> <li>2. There should be a formal, rigorous and transparent process for the appointment of the CEO.</li> <li>3. the responsibilities of the CEO can include the responsibilities of the Accounting Officer, the Consolidation Officer and Principal Officer for Ombudsman which involve: <ul style="list-style-type: none"> <li>○ Overall responsibility for the PO's performance, accounting for any disbursements of grant to the PO.</li> <li>○ Establish the PO's corporate and business plans and departmental targets.</li> <li>○ Inform the Ministry of Justice of any complaints about the PO accepted by the Ombudsman for investigation if applicable.</li> <li>○ management of senior staff within the PO ensuring they are meeting objectives and following disciplinary procedures if necessary</li> <li>○ Maintains accounting records that provide the necessary information for the consolidation if applicable.</li> <li>○ (Details of accounting officer covered under 10: Effective Financial Management.)</li> </ul> </li> </ol>	<p>Comply</p> <p>Comply</p> <p>Comply</p>
Overall assessment of the role of the CEO	<b>Green</b>

### Evidence of compliance or explanation for non-compliance

#### 1 Compliant

BBSRC's Chief Executive (CE) role and responsibilities are described in the letter of appointment and are also included in the Code of Practice, which is in the public domain: <http://www.bbsrc.ac.uk/web/FILES/Legal/council-code-of-practice.pdf>

#### 2 Compliant

The Department operates a fair and open process for the appointment of a CEO which essentially follows the same procedure as an OCPA regulated recruitment. Although there is no OCPA public appointments assessor involved there is always an independent panel member. For CEOs the appointment panel is chaired by the Director-General Knowledge and Innovation and includes the Director Research Base, the Chair of the Research Council and an independent panel member.

#### 3 Compliant

The CE has responsibilities as Accounting Officer, Principle Officer for Ombudsman cases and Consolidation Officer, laid out in the letter of appointment and the Code of Practice which is in the public domain:

<http://www.bbsrc.ac.uk/web/FILES/Legal/council-code-of-practice.pdf>

### Strengths identified by the Research Council and sponsor body, and considered by the Review Team

The role and responsibilities of the CE, including the CE's responsibilities as Accounting Officer, Principle Officer for Ombudsman cases and Consolidation Officer, are set out clearly in the letter of appointment and Code of Practice.

### Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team

Regular reviews to ensure that the processes for the appointment of the CE remain robust and transparent.

## **ROLE OF THE NON-EXECUTIVE BOARD MEMBERS**

*As part of their role, non-executive board members provide independent and constructive challenge*

Detail of Requirement	Assessment
<p>Non-executive members should:</p> <ol style="list-style-type: none"> <li>1. Form the majority of the board.</li> <li>2. Be appointed under a formal, rigorous and transparent process compliant with the code of practice issued by OCPA.</li> <li>3. Have their duties, roles and responsibilities, terms of office and remuneration set out clearly and formally defined in writing. Their terms and conditions must be in line with CO guidance and any statutory requirement.</li> <li>4. be independent of management</li> <li>5. Allocate sufficient time to the board with details of their attendance published.</li> <li>6. Undergo proper induction, and appraisals.</li> <li>7. their responsibilities include: <ul style="list-style-type: none"> <li>○ Establishing strategic direction of the PO and oversee development and implementation of strategies, plans, priorities and performance/financial targets.</li> <li>○ Ensuring the PO complies with statutory and administrative requirements on the use of public funds and operates within its statutory and delegated authority.</li> <li>○ That high standards of corporate governance are observed.</li> </ul> </li> </ol>	<p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p>

Overall assessment of the role of non-executive directors	<b>Green</b>
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Evidence of compliance or explanation for non-compliance	
1 Compliance	<p>Non-executive directors form the majority of the Council's Board (known as BBSRC Council). Council Membership is published at:  <a href="http://www.bbsrc.ac.uk/organisation/structures/council/">http://www.bbsrc.ac.uk/organisation/structures/council/</a></p> <p>Past membership is available in BBSRC's annual reports:  <a href="http://www.bbsrc.ac.uk/annualreport">http://www.bbsrc.ac.uk/annualreport</a></p>
2 Compliance	<p>Council members are appointed by BIS Ministers. The appointments exercise is run by the Research Council, under BIS guidance and with BIS approval, and through a formal and transparent process compliant with OCPA.</p>
3 Compliance	<p>Council Members' roles and responsibilities, term of office, remuneration and other terms and conditions are set out in the letter offering appointment, and the accompanying Code of Practice which is provided to all Council Members upon their appointment.</p>
4 Compliance	<p>Council members are independent of any management structures, and are appointed independent of the management, by BIS.</p>
5 Compliant	<p>Council member attendance is published within the governance statement in the annual report, which is in the public domain:  <a href="http://www.bbsrc.ac.uk/publications/accounts/bbsrc-annual-12-13.aspx">http://www.bbsrc.ac.uk/publications/accounts/bbsrc-annual-12-13.aspx</a></p>
6 Compliant	<p>Council members have induction days where new Council member have their roles and responsibilities explained including the requirements to comply with codes of practice and expenses policies. Council members are also made to familiarise themselves with the council members handbook</p>

BBSRC requires that Council members complete an annual self-assessment which is also seen by the CE and Chairman. BBSRC also runs an annual collective appraisal of Council where members can, in confidence, evaluate and comment on the performance of the Chair and members of the BBSRC Executive in relation to Council.

## 7 Compliant

The Code of Practice for Council Members outlines the responsibilities which include:

- ensuring that BBSRC complies with any statutory or administrative requirements for the use of public funds.
- ensuring that high standards of corporate governance are observed at all times;
- establishing the overall strategic direction of BBSRC within the policy and resources framework agreed by BIS Ministers;
- overseeing the delivery of planned results by monitoring performance against agreed strategic objectives and targets;
- ensuring that BBSRC operates within the limits of its statutory authority and any delegated authority agreed with BIS, and in accordance with any other conditions relating to the use of public funds;
- ensuring that, in reaching decisions, Council has taken into account any guidance issued by BIS and HM Treasury;
- ensuring BBSRC has robust risk management and fraud prevention measures in place;
- formulating a strategy for implementing the Freedom of Information Act 2000, including prompt response to public requests for information, and meeting other requirements for openness and responsiveness as set out in Section 8 of Public Bodies: A Guide for Departments;
- ensuring that BBSRC complies with the Data Protection Act;
- ensuring that BBSRC operates sound environmental policies and practices in accordance with the approach set out in the 1990 White Paper This Common Inheritance (Cm 1200) and other relevant guidance;
- ensuring that Council manages its estate sustainably in line with the Government's

### **Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

Council Members' roles and responsibilities are set out clearly in the letter offering appointment and the accompanying Code of Practice. Induction days are held for new Council members.



**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

Ref 6: The arrangements for assessing the performance of BBSRC Council members will be reviewed.

## ***EFFECTIVE FINANCIAL MANAGEMENT***

*The PO has taken appropriate steps to ensure that effective systems of financial management and internal controls are in place*

Detail of Requirement	Assessment
1. publish on time an objective, balanced and understandable annual report which complies with Treasury guidance, and includes an Annual Governance Statement;	Comply
2. comply with NAO requirements relating to the production and certification of their annual accounts;	Comply
3. have effective systems of risk management as part of their systems of internal control;	Comply
4. ensure an effective internal audit function is established which operates to Government Internal Audit Standards in accordance with CO guidance;	Comply
5. have appropriate financial delegations in place understood by all relevant staff and stakeholders. effective systems must be in place to ensure compliance with these delegations and the systems are regularly reviewed;	Comply
6. have anti-fraud and anti-corruption measures in place, and clear published rules governing claiming of	Comply

<p>expenses, with systems in place to ensure compliance. Information on expenses claimed by board members and senior staff should be published;</p> <p>7. establish an audit (or audit and risk) committee with responsibility for independent review of the systems of internal control and external audit process;</p> <p>8. take steps to ensure objective and professional relationship is maintained with external auditors.</p> <p>9. Comply with BIS guidance with regard to any department restrictions on spending.</p> <p>10. report to Corporate Finance with management accounts and Grant In Aid authorities</p>	<p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p>
Overall assessment of effective financial management	<b>Green</b>

<b>Evidence of compliance or explanation for non-compliance</b>
<p>1. Compliant</p> <p>BBSRC's annual report and NAO-approved accounts are published on the BBSRC website: <a href="http://www.bbsrc.ac.uk/publications/accounts/bbsrc-annual-12-13.aspx">http://www.bbsrc.ac.uk/publications/accounts/bbsrc-annual-12-13.aspx</a></p> <p>The accounts contain the Governance Statement by the Chief Executive and Accounting Officer.</p>
<p>2.. Compliant</p> <p>BBSRC's 2012/13 annual accounts have been certified by the National Audit Office without qualification.</p>
<p>3. Compliant</p> <p>The BBSRC corporate risk register is reviewed three times per year by the Council's Audit Board. It is also regularly reviewed, monthly, by the BBSRC Executive</p> <p>Internal audits are regularly conducted on BBSRC's risk management processes. The last audit was conducted in 2010-11 and gave Substantial Assurance.</p>

#### 4. Compliant

BBSRC uses the Research Council Audit and Assurance Services Group which operates to Government Internal Audit Standards.

A regular programme of audits exists which are approved by the Council's Audit Board; this covers risk management the risk management, internal controls and the aspects of Council operation identified in the corporate risk register. The risk register is available.

The minutes of Audit Board meetings are included in the papers for Council meetings, and the Chair of the Board provides an oral update to Council alongside the minutes. Audit Board's membership and meeting schedule are on BBSRC's website at: <http://www.bbsrc.ac.uk/organisation/structures/boards/audit.aspx>

#### 5. Compliant

BBSRC has an internal schedule of financial delegations which is available to all staff. In addition, staff receive individual notification of their own level of delegated authority annually and are required to confirm that they understand and accept this.

BBSRC has a detailed system of financial delegations in place. These are formally reviewed in their entirety on annual basis and signed off by the BBSRC Executive Group. In addition they are amended and re-issued during the year in line with any changes to the frameworks in which BBSRC works, for example changes in BIS delegations.

These financial delegations are translated to the relevant IT systems, managed by the Shared Business Service, which apply controls based on the delegated authorities.

#### 6. Compliant

BBSRC has both anti-fraud policies and expenses policies. Expenses policies for staff are published in the relevant employment codes. Expenses policies for Council members are published on the website:

[http://www.bbsrc.ac.uk/web/FILES/Guidelines/bbsrc\\_handbook.pdf](http://www.bbsrc.ac.uk/web/FILES/Guidelines/bbsrc_handbook.pdf)

The policies and procedures are subject to internal audit, the last audit was conducted in 2012-13 and gave Substantial Assurance.

The Councils staff all fall under the level normal used for reporting expenses.

At the present time Board members remain below the threshold and are not published. Nevertheless BBSRC keeps this overall are under review.

BBSRC has clear policies in all relevant areas. Although BBSRC operates a self-approval system, all staff are made aware of the policies and the requirement upon

<p>them for compliance. Expense claims, whilst self-approved in every case are reviewed by Line Managers, who have a responsibility to ensure compliance, value for money and appropriateness of spend. In addition to this BBSRC policies are embedded in Oracle and policy violations are highlighted through the system, and require senior approval; where the violation is not a technicality, for example the only available hotel is outside overnight rate, the relevant Director seeks guidance from the Finance Director. Finally the Finance Director formally reviews all BBSRC transaction on a monthly basis in line with the BIS requirement, this provides another opportunity for confirming vfm, appropriateness and compliance.</p>
<p>7. Compliant</p> <p>BBSRC has an Audit Board which has external membership, details can be found on the website: <a href="http://www.bbsrc.ac.uk/organisation/structures/boards/audit.aspx">http://www.bbsrc.ac.uk/organisation/structures/boards/audit.aspx</a></p>
<p>8. Compliant</p> <p>There Are regular and constructive discussions with the NAO.</p>
<p>9. Compliant</p> <p>BBSRC complies with the BIS guidance in relation to spending controls including those introduced by the Cabinet Office in areas such as consultancy and marketing. This is regularly discussed with the BIS-Research Base team</p>
<p>10. Compliant</p> <p>BBSRC has regular contact with the BIS Corporate and Research Base Finance teams and complies with the requirements for the submission of regular management accounts.</p>

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

Effective systems of financial management and internal controls are in place, and are reviewed regularly through a programme of regular audits conducted by the Research Council Audit and Assurance Services Group which operates to Government Internal Audit Standard.

BBSRC has an Audit Board which has external membership

BBSRC's annual report and accounts are publically available, and comply with NAO requirements.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

Continuation of the programme of internal audit to ensure that any opportunities to improve the systems already in place are identified.

## **COMMUNICATION AND ENGAGEMENT**

*The Public Body is open, transparent, accountable and responsive*

Detail of Requirement	Assessment
The PO should:	
1. establish clear and effective channels of communication with stakeholders;	Comply
2. make an explicit commitment to openness in all activities. Engage and consult with public on issues of public interest or concern and publish details of senior staff and board members with contact details;	Comply
3. hold open board meetings or an annual open meeting;	Explain
4. proactively publish agendas, minutes of board meetings and performance data;	Comply
5. establish and publish effective correspondence handling and complaint procedures, and make it simple for members of the public to contact them/make complaints. Complaints should be investigated thoroughly and be subject to investigation by the Parliamentary Ombudsman. Performance in handling correspondence should be monitored and reported on;	Comply
6. comply with any Government restrictions on publicity and advertising, with appropriate rules in place to limit use of marketing and PR consultants. Have robust and effective systems in place to ensure the PO is not engaged in political lobbying, includes restriction on board members attending Party Conferences in a professional capacity.	Comply

7. engage the Sponsor Group appropriately especially in instances where events may have reputational implications on the department.	Comply
Overall assessment of communications	<b>Green</b>

Evidence of compliance or explanation for non-compliance
<p>1 Compliant</p> <p>Effective stakeholder communication and public engagement are part of BBSRC’s Mission. BBSRC’s approach to communication is described in the BBSRC communication strategy.</p> <p>In addition some aspects of the Research Councils’ communications are coordinated at an RCUK level.</p> <p>BBSRC’s strategy in communications, public and stakeholder engagement is driven by the strategic aims of raising awareness for BBSRC investment and UK bioscience and maintaining public and stakeholder trust.</p> <p>BBSRC prioritises communications and engagement around its strategic priority areas and issues that affect the future direction of UK bioscience (e.g. GM, animals in research, land use). Priority audiences are those with unique needs and interests to BBSRC.</p> <p>Key activities include:</p> <ul style="list-style-type: none"> <li>• Media relations – proactive and reactive media relations to reach target stakeholders through national, regional, trade and specialist media</li> <li>• Engagement events – corporate engagement activities targeting specific stakeholders and unique end-users, e.g. UK agricultural sector.</li> <li>• Public engagement – public engagement programme led by BBSRC and in partnership with the research community, includes range of direct activities such as exhibitions and support for researchers for science festivals and schools work.</li> <li>• Digital communications – engagement with public stakeholders through the BBSRC website, social media and partners’ platforms.</li> </ul>
2 Compliant

BBSRC has committed itself to openness in all its activities. BBSRC's website ([www.bbsrc.ac.uk](http://www.bbsrc.ac.uk)) contains information targeted at a range of audiences.

Information about senior staff and members of BBSRC Council (BBSRC's governing board) is published on the website and in the annual report.

BBSRC undertakes to consider a diversity of views from the widest range of stakeholder and publics in its decision making. In doing so it is supported by the Bioscience for Society Strategy Advisory Panel which independently monitors, advises and acts as a 'critical friend' to the Council. The membership of the panel includes engagement experts, media, NGO representatives, educationalists, ethicists and social scientists. The full membership and remit is here:

<http://www.bbsrc.ac.uk/organisation/structures/panels/society/society-index.aspx>

Furthermore, BBSRC is committed to open engagement and dialogue with the widest representation of society and its stakeholders in developing future strategy. Examples of the Council's activities includes a dialogue to inform the future direction of basic bioscience for health research: <http://www.bbsrc.ac.uk/society/dialogue/activities/bbuh-public-workshop.aspx> and a distributed dialogue and stakeholder engagement programme in sustainable bioenergy:

<http://www.bbsrc.ac.uk/society/dialogue/activities/bioenergy-dialogue/bioenergy-dialogue-index.aspx>

### 3 Explain

The BBSRC Executive regularly reviews whether meeting of this type should take place. At the present time BBSRC does not hold open Council meetings, although it has done so in the past. BBSRC has hosted meetings, with Council members present, where members of the public could register for attendance, for example the 2012 BBSRC Roadshows which were held in various locations across the UK and provided an opportunity for discussion around future directions for bioscience research. BBSRC will formally reconsider its approach to holding open Council meetings, working with those Research Councils that do hold open meetings so that it can learn from their experiences.

Other regular meetings held by BBSRC that provide opportunities for stakeholder engagement on strategy development include:

An annual Strategic Workshop, which provides an opportunity for BBSRC Council and the Executive to engage with key stakeholders around high-level strategy and policy issues relevant to BBSRC.

An annual meeting of the heads of key HEI departments funded by BBSRC, which provides an opportunity for discussion of BBSRC's future plans and strategy

### 4 Compliant

The Agendas, non-protected papers, and minutes of meetings of BBSRC Council are

published: <http://www.bbsrc.ac.uk/organisation/structures/council/#minutes>

In addition BBSRC publishes a range of additional documents including delivery plans, strategic plans and annual reports:

- Delivery Plan [www.bbsrc.ac.uk/publications/planning/bbsrc-delivery-plan.aspx](http://www.bbsrc.ac.uk/publications/planning/bbsrc-delivery-plan.aspx)
- Strategic Plan [www.bbsrc.ac.uk/strategy](http://www.bbsrc.ac.uk/strategy)
- Annual Report [www.bbsrc.ac.uk/annualreport](http://www.bbsrc.ac.uk/annualreport)
- Impact Report (which includes key input, output and outcome indicators) <http://www.bbsrc.ac.uk/web/FILES/Reviews/impact-report-2012.pdf>
- Evaluation reports (which examine the relevance, performance, efficiency and impact of BBSRC's programmes and schemes) <http://www.bbsrc.ac.uk/organisation/policies/reviews/funded-science/funded-science-index.aspx>

#### 5 Compliant

BBSRC's 'Service First' statement, published on the BBSRC website, sets out BBSRC's position with regard to effective handling of correspondence:

<http://www.bbsrc.ac.uk/organisation/policies/position/foi/service-first.aspx>

The Council has a formal complaints procedure including designated complaints officers who handle the requests; these procedures are outlined on the website:

<http://www.bbsrc.ac.uk/organisation/policies/position/foi/complaints.aspx>

In 2012 BBSRC dealt with three complaints under the BBSRC formal complaints procedures. Since the implementation of this procedure in 2003 BBSRC has received a total of 62 formal complaints.

Since the implementation of the Freedom of Information (FoI) Act in 2005, two complaints have been made to the Information Commissioner's Office regarding BBSRC's handling of FoI requests; both complaints were subsequently withdrawn.

#### 6 Compliant

The Council has complied with central government spending control requirements on publicity and advertising. It avoids engagement in political lobbying and has regularly informed its council members and staff on the restrictions on participation in Party Conferences.

#### 7 Compliant

The Council engages closely with its sponsorship team in BIS, and regular meetings are held between BIS and BBSRC where issues which may have a reputational impact are discussed routinely. This includes formal six monthly progress review meetings (which provide a useful forum for senior level discussions on issues which may have a reputational impact) and BIS attendance at all meetings of BBSRC Council.



In addition, communications specialists across the Research Councils meet regularly with BIS to discuss issues of common interest.

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

A communications strategy is in place, with a proactive approach to publishing information that is in the public interest, and a commitment to open engagement and dialogue with the widest representation of society and stakeholders in developing future strategy.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

Ref 3: BBSRC will formally reconsider its approach to holding open Council meeting, working with those Research Councils that do hold open meetings so that we can learn from their experiences.

## **CONDUCT AND PROPRIETY**

*The board and staff of the PO work to the highest personal and professional standards. They promote the values of the PO and of good governance through their conduct and behaviour*

Detail of Requirement	Assessment
<ol style="list-style-type: none"> <li>1. a Code of Conduct must be in place setting out the standards of personal and professional behaviour and propriety expected of all board members which follows the CO Code and form part of the terms and conditions of appointment;</li> <li>2. the PO has adopted a Code of Conduct for staff based on the CO model Code and form part of the terms and conditions of employment;</li> </ol>	<p>Comply</p> <p>Comply</p>

3. there are clear rules and procedures in place for managing conflicts of interest. There is a publicly available Register of Interests for board members and senior staff which is regularly updated;	Comply
4. there are clear rules and guidelines in place on political activity for board members and staff with effective systems in place to ensure compliance with any restrictions;	Comply
5. there are rules in place for board members and senior staff on the acceptance of appointments or employment after resignation or retirement which are effectively enforced;	Explain
6. Board members and senior staff should show leadership by conducting themselves in accordance with the highest standards of personal and professional behaviour and in line with the principles set out in respective Codes of Conduct.	Comply
Overall assessment of conduct and propriety	<b>Green</b>

### Evidence of compliance or explanation for non-compliance

#### 1 Compliant

The code of practice for council members and the accompanying handbook is available in the public domain:

Code of Practice for Council Members:

<http://www.bbsrc.ac.uk/web/FILES/Legal/council-code-of-practice.pdf>

Hand book for Council, Board, Panel and Committee Members:

[http://www.bbsrc.ac.uk/web/FILES/Guidelines/bbsrc\\_handbook.pdf](http://www.bbsrc.ac.uk/web/FILES/Guidelines/bbsrc_handbook.pdf)

#### 2 Compliant

There is a Research Councils Code of Conduct, which sets out the policy and principles for conduct expected of all staff. This is consistent with the CO model. The policy and standards of conduct form part of the employment contract.

The BBSRC Employment Code is published at:

<http://www.bbsrc.ac.uk/organisation/policies/employment/code>

## 3 Compliant

Guidance on conflicts of interest for Members of BBSRC Council is provided in the Code of Practice issued with the letter offering appointment. Council Members' declared interests are published on the BBSRC website:

[http://www.bbsrc.ac.uk/web/FILES/Conflicts/council\\_conflicts.pdf](http://www.bbsrc.ac.uk/web/FILES/Conflicts/council_conflicts.pdf)

The Research Councils Code of Conduct covers the issue of conflicts of interest for staff. Senior staff declared interests are published on the BBSRC website:

[http://www.bbsrc.ac.uk/web/FILES/Conflicts/directors\\_conflicts.pdf](http://www.bbsrc.ac.uk/web/FILES/Conflicts/directors_conflicts.pdf)

Conflicts of interest declarations are also published for all Council Boards, and for all BBSRC advisory / funding panels and committees.

## 4 Compliant

The Code of Practice for Council Members, which accompanies the letters offering appointment to the Council, provides guidelines on political activity. Council members are reminded of appropriate guidance whenever this is issued by Cabinet Office.

For BBSRC staff, the Employment Code includes a section on political activity:

<http://www.bbsrc.ac.uk/organisation/policies/employment/code/external-work/a10-10.aspx>

## 5 Partially compliant / Explain

For BBSRC staff, rules covering acceptance of employment etc after resignation or retirement are covered by the Employment Code as part of pension scheme rules.

There is no equivalent guidance in place for board members.

## 6 Compliant

The Code of Practice for Council Members, which accompanies the letters offering appointment to the Council, makes it clear that individual Board members should be aware of their conduct and wider responsibilities as members of the Board and that they should follow the Nolan Committee's "Seven Principles of Public Life".

Similarly, for BBSRC staff, the Research Councils Code of Conduct provides guidance on expected standards of conduct.

Examples of professional conduct include:

- Council members and BBSRC senior staff declare conflicts of interest at meetings, and BBSRC maintains an up-to-date conflicts of interest register
- Council members and BBSRC staff are required to declare gifts and material hospitality received and given.

- Council members are appraised individually each year, in addition to an annual collective appraisal of Council – as part of those processes various aspects of Nolan principles are examined.

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

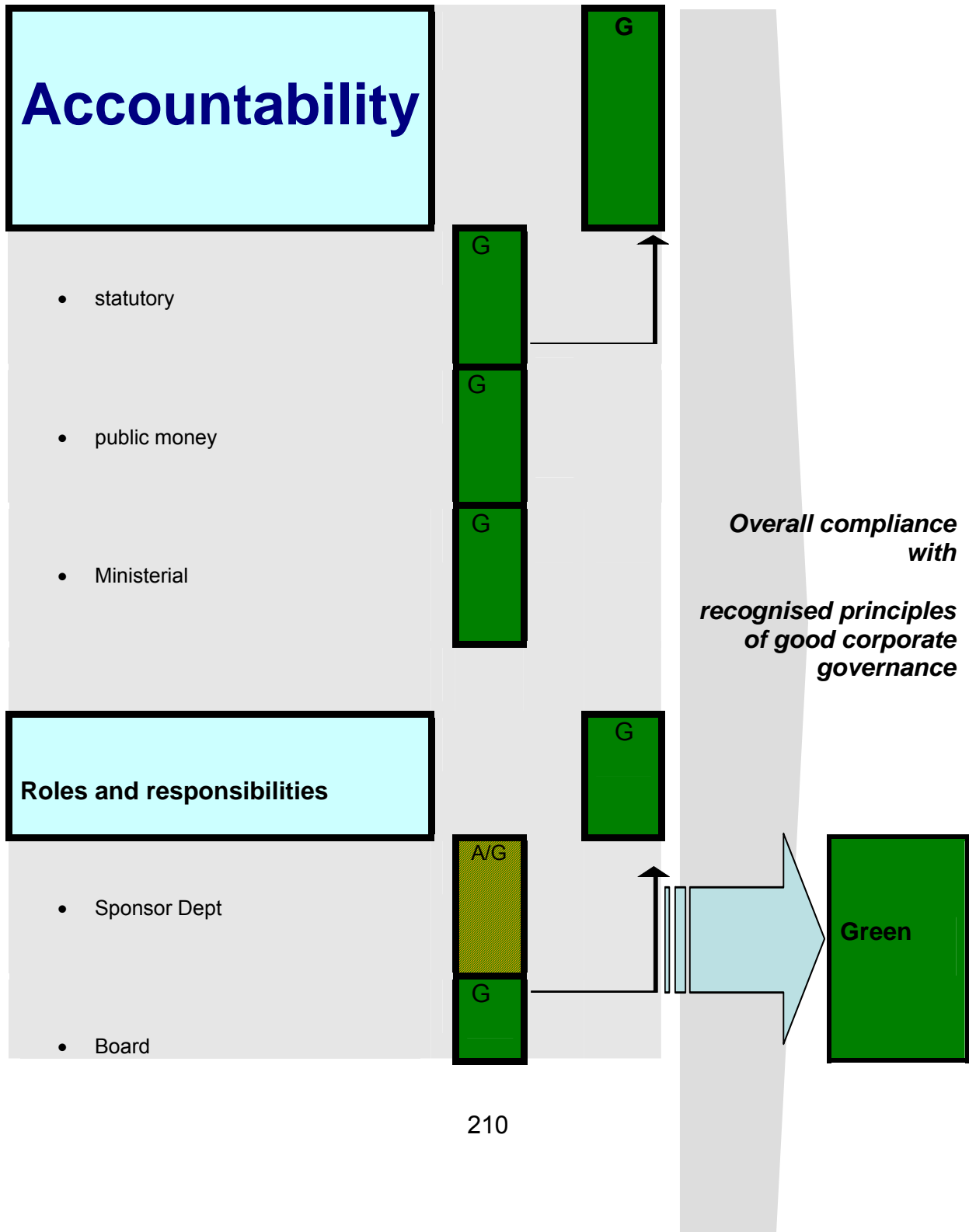
Clear guidance is available to staff and board members on expected standards of conduct and on managing conflicts of interest.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

Ref 5: BBSRC will review its guidance on the rules in place for board members on the acceptance of appointments or employment after resignation or retirement.

# Annex I: Detailed assessment ESRC

## SUMMARY ASSESSMENT



<ul style="list-style-type: none"><li>• Chair</li></ul>			
	G		
<ul style="list-style-type: none"><li>• CEO</li></ul>			
	G		
<ul style="list-style-type: none"><li>• NEDS</li></ul>			
	G		
<b>Effective financial management</b>		G	
<b>Communication</b>		G	
<b>Conduct and behaviour</b>		G	

## STATUTORY ACCOUNTABILITY

*Does the public body comply with all applicable statutes and regulations and other relevant good practice?*

Detail of Requirement	Assessment
<p>The PO:</p> <ol style="list-style-type: none"> <li>1. complies with all statutory and administrative requirements on the use of public funds (inc HMT Managing Public Money, and CO/HMT spending controls);</li> <li>2. operates within the limits of its statutory authority and in accordance with delegated authorities agreed with BIS;</li> <li>3. operates in line with statutory requirements for the Freedom of Information Act;</li> <li>4. has a comprehensive publication scheme;</li> <li>5. proactively releases information that is of legitimate public interest;</li> <li>6. Produces annual reports and accounts which are laid before Parliament</li> <li>7. complies with data protection legislation;</li> <li>8. complies with Public Records Acts 1958 and 1967.</li> </ol>	<p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p>

Overall assessment of statutory accountability	<b>Green</b>
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Evidence of compliance or explanation for non-compliance
<p>1 Compliant</p> <p>The NAO audited accounts are available on the website. The NAO gave the accounts certified assurance:</p> <p><a href="http://www.esrc.ac.uk/news-and-events/publications/annual-report/index.aspx">http://www.esrc.ac.uk/news-and-events/publications/annual-report/index.aspx</a></p> <p>Internal audits have focused on particular areas of ESRC’s business but have not specifically looked at accounting procedures. The overall assurance given by internal audit to ESRC for 2012/13 was <i>Substantial</i>.</p> <p>In respect of accounting procedures reliance is placed on the NAO auditing process which involves 4 weeks of auditing through 2 interim and a final audit.</p>
<p>2 Compliant</p> <p>The Research Councils delegated authorities are laid out in a letter of delegation, which is evergreen, i.e. operates until superseded.</p> <p>Compliance with this is demonstrated through the published annual accounts.</p>
<p>3 Compliant</p> <p>Councils, to comply with the FoI Act, also have to provide a ‘Publication Scheme’ on their website:</p> <p><a href="http://www.esrc.ac.uk/about-esrc/information/FOI.aspx">http://www.esrc.ac.uk/about-esrc/information/FOI.aspx</a></p> <p>This is required to proactively provide as much corporate information as possible to the general public, without them having to ask for it to be made available.</p> <p>In 2012 ESRC dealt with 27 requests for information under the Act and responded to all within the statutory time period.</p>



The Council provides FOI guidance to staff. A cross-Research Council Freedom of Information Audit in 2011-12 (Ref. CCA02-1112) gave a Substantial Assurance rating.

#### 4 Compliant

One of the three RC's Royal Charter objectives is to disseminate knowledge. This is accomplished in part by each Council's communication strategy. This is in addition to compliance with FOI statutes (see Q3 above).

These communication strategies include the publication of a range of documents on the council website including:

- Annual Reports and Accounts
- Delivery Plans
- Strategic Plans and discipline specific strategies
- Economic Impact reports
- Stakeholder engagement publications
- End-user engagement and research dissemination and impact publications
- Strategic priority or topic-led publications for public or end-user audiences.

<http://www.esrc.ac.uk/news-and-events/publications/index.aspx>

#### 5 Compliant

In addition to publication of key documents (Q4 above) and documents published to facilitate compliance with the FOI act (Q3 above) - to comply with their Royal Charter Objectives, Councils publish regular news items and featured research articles:

<http://www.esrc.ac.uk/news-and-events/press/>

<http://www.esrc.ac.uk/news-and-events/publications/index.aspx>

Councils also have a data sharing policy to allow the appropriate sharing of research outputs in a timely manner: <http://www.esrc.ac.uk/about-esrc/information/data-policy.aspx>

RCUK has an agreed policy on open access which will improve public access to the outputs of publically funded research:

<http://www.rcuk.ac.uk/documents/documents/RCUKOpenAccessPolicy.pdf>

#### 6 Compliant

Councils produce publically available annual reports and accounts; these are also laid

before parliament: <http://www.esrc.ac.uk/news-and-events/publications/annual-report/index.aspx>

#### 7 Compliant

All Councils have Data Protection officers and have filed notifications with the ICO. Effective delivery of the regulation is covered by regular internal audit. The last audit of this was conducted in 2011/12 and gave a substantial assurance rating. There is currently a cross-Council audit on data-protection taking place which is due to report later in the year

#### 8 Compliant

All Councils comply with the acts' relevant code of practice and regulations and have appropriate record retention and archiving policies to reflect this. The ESRC is a signatory to the act

### **Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

ESRC meets its statutory accountability requirements, and has responded to all FOI requests within the statutory time period.

### **Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

No areas require immediate attention for improvement. Nevertheless, ESRC is committed to continuous improvement, and is responsive to any recommendations made through formal assessment and audit processes.

## **ACCOUNTABILITY FOR PUBLIC MONEY**

*The Accounting Officer of the PO is personally responsible and accountable to Parliament for the use of public money by the body and the stewardship of assets*

Detail of Requirement	Assessment
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1. there is a formally designated Accounting Officer (AO) who in particular has a responsibility to provide evidence-based assurances required by the Principal Accounting Officer (PAO);	Comply
2. the role, responsibilities and accountability of the AO should be clearly defined and understood and the AO should have received appropriate training;	Comply
3. the PO should be compliant with requirements set out in Managing Public Money, relevant Dear Accounting Officer letters and other directions;	Comply
4. the PO should establish appropriate arrangements to ensure that public funds: <ul style="list-style-type: none"> <li>○ are properly safeguarded;</li> <li>○ are used economically, efficiently and effectively;</li> <li>○ are used in accordance with the statutory or other authorities that govern their use;</li> <li>○ deliver value for money for the Exchequer as a whole;</li> <li>○ are subject to Treasury approval, either directly or through established delegated authority;</li> </ul>	Comply
5. the annual accounts are laid before Parliament after certification by the Comptroller and Auditor General	Comply
Overall assessment of accountability for public money	<b>Green</b>

Evidence of compliance or explanation for non-compliance
<p>1 Compliant</p> <p>The RC's CEO is Accounting Officer for the Council, with delegated authorities outlined in the letter of delegation from the Permanent Secretary (as Principal Accounting Officer) sent via the relevant DG on his behalf.</p>
<p>2 Compliant</p> <p>The roles, responsibilities and accountability of the AO is contained in the delegated authority letter. New CEOs receive appropriate training provided by BIS.</p>
<p>3 Compliant</p> <p>The RCs receive regular formal communications from BIS with instructions for compliance with any revised accountabilities.</p> <p>Internal audits have focused on particular areas of ESRC's business but have not specifically looked at accounting procedures. The overall assurance given by internal audit to ESRC for 2012/13 was Substantial.</p> <p>In respect of accountability reliance is placed on the NAO auditing process which involves 4 weeks of auditing through 2 interim and a final audit.</p>
<p>4 Compliant</p> <p>Research Councils have multiple arrangements in place to ensure the good use of public funds at the individual Research Council level.</p> <p>The RC CEO as the Accounting Officer has delegations laid down by BIS. These delegations are handled through internal delegation authorities.</p> <p>The Council has a number of Royal Charter objectives, and undertakes programmes to underpin these. In summary, the objectives are:</p> <ul style="list-style-type: none"> <li>a) to promote and support, by any means, high-quality basic, strategic and applied research and related postgraduate training in the social sciences.</li> <li>b) to advance knowledge and provide trained social scientists which meet the needs and beneficiaries, thereby contributing to the economic competitiveness of the UK, the effectiveness of public services and policy, and the quality of life.</li> <li>c) to provide advice on, and disseminate knowledge and promote public understanding of, the social sciences.</li> </ul>

The Council and the RCs collectively invest in evaluation to demonstrate the delivery of the mission, in collaboration with BIS. Citation metrics and other measures of quality, including benchmarking, demonstrate that the UK leads in research excellence globally and is only ever second to the US.

ESRC evaluates the quality and impact of the work it funds, employing a range of different approaches. The links below provide examples of the Council's impact evaluation, international benchmarking reviews and evaluations of funding schemes and large investments. Collectively, this evaluation work provides evidence of delivery across the Royal Charter objectives.

<http://www.esrc.ac.uk/impacts-and-findings/impact-assessment/index.aspx>

<http://www.esrc.ac.uk/funding-and-guidance/tools-and-resources/impact-evaluation/international-benchmarking.aspx>

<http://www.esrc.ac.uk/funding-and-guidance/tools-and-resources/impact-evaluation/evaluation-funding-schemes.aspx>

<http://www.esrc.ac.uk/funding-and-guidance/tools-and-resources/impact-evaluation/Evaluation-of-large-initiatives.aspx>

5 Compliant

The RCs accounts are signed-off by the Auditor General and laid before parliament after certification by the NAO, the accounts can be found here:

<http://www.esrc.ac.uk/news-and-events/publications/annual-report/index.aspx>

#### **Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

The ESRC is fully compliant with all financial requirements and has appropriate and robust internal controls in place to demonstrate proper accountability for public money.

#### **Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

As described earlier Research Councils have multiple arrangements in place to ensure the good use of public funds at the individual Research Council level.

In addition, Research Councils work together as Research Councils UK to ensure the good use of public funds at the collective level:

- In 2006 Research Councils established RCUK Shared Service Centre Ltd. to

deliver efficiency savings through providing shared back-office functions to the seven Research Councils. In 2012 the company began delivering shared services to the wider BIS family of partner organisations as UK SBS Ltd.

Research Councils are keen to go further though, and are exploring with BIS:

- Changes to the governance of RCUK Executive Group to charge the group with responsibility for delivering collective efficiency savings and transformational change across Research Councils.
- A stronger role for the BIS DG Knowledge & Innovation to enable more agile decision making within RCUK Executive Group.
- The establishment of an RCUK Chairs forum as an advisory forum on issues of governance.

These changes build on Recommendations 8 and 9 from Stage One of the Triennial Review of the Research Councils.

## **MINISTERIAL ACCOUNTABILITY**

*The Secretary of State is ultimately accountable to Parliament and the public for the overall performance of the public body*

Detail of Requirement	Assessment
1. the Secretary of State and Sponsor should exercise appropriate scrutiny and oversight of the PO	Comply
2. appointments to the board should be made in line with any statutory requirements and, where appropriate, with the <i>Code of Practice</i> issued by OCPA;	Comply
3. the Secretary of State will normally appoint the Chair and all non-executive board members of the PO and be able to remove individuals whose performance or conduct is unsatisfactory;	Comply

4. the Secretary of State should be consulted on the appointment of the Chief Executive and will normally approve the terms and conditions of employment;	Comply
5. the Secretary of State should meet the Chair and/or Chief Executive on a regular basis;	Comply
6. Parliament should be informed of the activities of the PO through publication of an annual report;	Comply
7. a range of appropriate controls and safeguards should be in place to ensure that the Secretary of State is consulted on key issues and can be properly held to account (e.g. Business Plan, power to require information, a general or specific power of Ministerial direction over the PO, a power for the Secretary of State to be consulted on key financial decisions.)	Comply
Overall assessment of Ministerial Accountability	<b>Green</b>

### Evidence of compliance or explanation for non-compliance

#### 1 Compliant

There are frequent Ministerial meetings with Chief Executives and Chairs on topical issues as they arise. In addition, the Minister for Universities and Science has regular (bi-monthly) meetings with the seven Chief Executives as well as regular one-to-one meetings with the Chair of Research Councils UK, and for each of the Research Councils has attended Council meetings by invitation.

Following accountability meetings with the BIS Sponsor Director and team, the Minister for Universities and Science also receives regular twice yearly updates on the performance of the Research Councils and upcoming issues and risks:

BIS Ministers are frequently involved in announcements about new Research Council developments and initiatives and there is regular and frequent communications between the Research Council and BIS comms teams.

<p>2 Compliant</p> <p>As an upper tier body, appointments to Council are required to be made in accordance with the OCPA Code of Practice. For the recruitment of Research Council Chairs the OCPA code requires an OCPA Public Appointments Assessor to chair the appointment panel and certify the overall process met the OCPA code in a final written report. There is also an independent panel member. For Council members the OCPA code requires there to be an independent panel member. At the end of the recruitment the Department certifies that the recruitment was conducted in accordance with the Code. The recruitment of Chief Executives is not covered by the OCPA Code but in the spirit of fair and open recruitment the Department uses a process analogous to the OCPA Code.</p>
<p>3 Compliant</p> <p>The Secretary of State is responsible for appointing the Chair, Chief Executive and Council members. The sponsorship team is responsible for the management of appointments and submission of names to Ministers.</p> <p>Appointment letters note that Board Members may be removed from office by the Secretary of State on grounds of incapacity or misbehaviour or a failure to observe the terms and conditions of the appointment.</p>
<p>4 Explain</p> <p>The Secretary of State is responsible for the recruitment of and makes the final decision on who is appointed as Chief Executive. Terms and conditions for Chief Executives consist of an appointment letter from the Department supplemented by a further Service Contract issued by the Research Council.</p>
<p>5 Compliant</p> <p>The Minister has regular (bi-monthly) meetings with the seven Chief Executives as well as regular one-to-one meetings with the Chair of Research Councils UK, and for each of the Research Councils has attended Council meetings by invitation. This is in addition, to frequent ad hoc discussion with Chief Executives, Chairs and others within Research Councils, of topical issues as they arise.</p>
<p>6 Compliant</p> <p>ESRC's Annual report is published: <a href="http://www.esrc.ac.uk/news-and-events/publications/annual-report/index.aspx">http://www.esrc.ac.uk/news-and-events/publications/annual-report/index.aspx</a></p>
<p>7 Compliant</p> <p>The Research Council's Management Statement and Financial Memorandum sets out provisions for the Secretary of State to be consulted on key decisions. In 2012/13 The</p>



Department and the Councils have been updating the language and terminology used in the documents and it is planned that revised versions will be available in September 2013.

Research Councils consult BIS Ministers on its key strategic documents, including its Delivery Plans. Decisions going beyond Research Councils' delegated financial authority are also submitted to BIS for endorsement and agreement.

BIS Ministers are frequently involved in announcements about new Research Council developments and initiatives and there are regular and frequent communications between the Research Council and BIS comms teams.

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

Very strong Ministerial engagement with the work of the Research Councils.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

No areas for improvement identified by ESRC

## ***ROLE OF THE SPONSORING GROUP***

*BIS ensures that there are robust governance arrangements with the board of each PO setting out the terms of their relationship, and how they will be put in place to promote high performance and safeguard propriety and regularity*

Detail of Requirement	Assessment
1. The Group should scrutinise the performance of the PO. There should be appropriate systems and processes to ensure effective governance, risk management and internal control in the PO;	Comply



Changes may be required as a result of the outcome of the Triennial Review of the Research Councils.

### 3 Compliant

Regular and frequent dialogue takes place between the Sponsor Team and the Research Council, in addition to six-monthly review meetings and regular one-to-one meetings between BIS and the Chief Executive.

The Sponsor team has senior official representation as an observer at Council meetings with a Director and Deputy Director attending as an observer.

In the BIS Finance-led Partner Organisation Assessment Exercise, relationships between the BIS sponsor and the partner organisation have been rated strongly.

### **Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

Strong relationships between the Research Council and the sponsoring group, with frequent and regular dialogue.

### **Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

Management Statements are in need of updating, which is currently underway.

## **ROLE OF THE BOARD**

*The PO is led by an effective board which has collective responsibility for its overall performance and success, and provides strategic leadership, direction, support and guidance. The board has an appropriate balance of skills, experience, independence and knowledge, with a clear division of roles and responsibilities between Executives and Non-Executives*

<b>Detail of Requirement</b>	<b>Assessment</b>
<p>The Board of the PO should:</p> <ol style="list-style-type: none"> <li>1. meet regularly, retain effective control over the PO, and monitor the SMT, holding the CEO accountable for the performance and management of the PO;</li> <li>2. be appropriate in size with membership from a diverse background;</li> <li>3. establish a framework of strategic control specifying what matters are reserved for the board and establish arrangements to ensure it has access to relevant information, advice and recourses to carry out its role effectively;</li> <li>4. establish formal procedural and financial regulations to govern the conduct of its business;</li> <li>5. make a senior executive responsible for ensuring appropriate advice is given on financial matters, procedures are followed, and that all applicable statutes and regulations and other relevant statements of best practice are complied with;</li> <li>6. establish a remuneration committee to make recommendations on the remuneration of top executives. Information on senior salaries should be published and rules for recruitment and management of staff provide for appointment and advancement on merit;</li> <li>7. evaluated annually, including an evaluation of the chair and board members.</li> </ol>	<p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Explain</p>

Overall assessment of role of the Executive Board	<b>Green</b>
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<b>Evidence of compliance or explanation for non-compliance</b>	
1 Compliant	<p>ESRC meets four times per year. It receives regular reports from the CEO and scrutinises the work of the senior management team in delivering the agreed strategy. It holds both to account for the management of the Council's work.</p>
2 Compliant	<p>The governing board of the organisation is the Council, which consists of the Chair, Chief Executive acting as Deputy Chair, and 12 Council members, of whom seven are academics from the Council's research community. This size and composition is consistent with the Council's Royal Charter, which states "The Council shall consist of a Chairman, a Chief Executive and Deputy Chairman, and not less than ten nor more than eighteen other members, at least half of whom shall be appointed by reason of their qualifications in the social sciences."</p> <p>As such, the size of the governing board is larger than might normally be expected. However, the diverse representation which this larger size enables does have the benefit of providing a demonstrable sense of 'ownership' of the organisation from across the Council's diverse academic and user community. As such, the Council to an extent performs a dual role of governing board and stakeholder forum.</p> <p>The Royal Charter is available at:</p> <p><a href="http://www.esrc.ac.uk/about-esrc/what-we-do/history.aspx">http://www.esrc.ac.uk/about-esrc/what-we-do/history.aspx</a></p> <p>A list current of Council members and their backgrounds is available at:</p> <p><a href="http://www.esrc.ac.uk/about-esrc/governance/esrc-council/index.aspx">http://www.esrc.ac.uk/about-esrc/governance/esrc-council/index.aspx</a></p> <p>Past membership can be found in the annual reports which are in the public domain:</p> <p><a href="http://www.esrc.ac.uk/news-and-events/publications/annual-report/index.aspx">http://www.esrc.ac.uk/news-and-events/publications/annual-report/index.aspx</a></p>
3 Compliant	<p>The framework for all governance and control is contained within the Code of Practice</p>

<p>for Council Members which included aspects such as strategic control and financial management. In addition the handbook for council members outlines how the framework operates. These documents are in the public domain:  <a href="http://www.esrc.ac.uk/about-esrc/governance/committees/members-info.aspx">http://www.esrc.ac.uk/about-esrc/governance/committees/members-info.aspx</a></p>
<p>4 Compliant</p> <p>see above</p>
<p>5 Compliant</p> <p>The Director of Finance and Operations has been nominated as the senior executive responsible for providing advice to the Board on financial matters. He prepares the annual Governance Statement which is signed by the CEO as part of the process of completing the annual report and accounts. The Director of Finance is responsible for compliance with the treasury rules on managing public money.</p>
<p>6 Compliant</p> <p>The annual accounts contain a remuneration report. This is managed by the independent remuneration board. This report outlines the remuneration of the council members and senior Council staff, including performance related bonuses. These documents are in the public domain: <a href="http://www.esrc.ac.uk/news-and-events/publications/annual-report/index.aspx">http://www.esrc.ac.uk/news-and-events/publications/annual-report/index.aspx</a></p>
<p>7 Explain</p> <p>Council members complete an annual self-assessment which is also seen by the CEO and Chairman. The Chair also has regular meeting with BIS and the Director General. BIS is looking to introduce annual evaluations of Council Chairs.</p>

#### **Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

The ESRC Council, as Governing Board, includes a range of expertise from across the academic and user communities relevant to the ESRC's work, which enables demonstrable 'ownership' of the Research Council by their academic and user communities

#### **Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

Work is ongoing to finesse the process of Council self-assessment, with a collective appraisal of Council's performance introduced last year, which is being closely

monitored for potential areas for improvement.

Work is ongoing to improve the diversity of the Council; a cross-Council group is looking at the introduction of a range of measures to increase diversity.

There is a need for a formal annual evaluation of the Council Chair

## **ROLE OF THE CHAIR**

*The Chair is responsible for leadership of the board and for ensuring its overall effectiveness*

Detail of Requirement	Assessment
<p>1. The Board should be led by a non-executive Chair, whose duties, roles and responsibilities, terms of office and remuneration should be set out clearly and formally defined in writing. Terms and conditions must be in line with CO guidance and any statutory requirement.</p> <p>2. There should be a formal, rigorous and transparent process for the appointment of the Chair, which is compliant with the Code of Practice issued by OCPA. The Chair should have a role in the appointment of non executives.</p> <p>3. the responsibilities of the Chair can include:</p> <ul style="list-style-type: none"> <li>○ representing the PO in discussions with the Secretary of State</li> <li>○ advising the Sponsor Group/the Secretary of State about board appointments and performance of non-executive members</li> <li>○ Ensuring non executives understand their responsibilities; are trained appropriately and undergo annual assessments.</li> <li>○ Ensure the board takes account of guidance provided by the Secretary of State; carries out its business efficiently and effectively, has its views represented to the public.</li> <li>○ Develop effective working relationships with the CEO (role of Chair and CEO must be held by different</li> </ul>	<p>Comply</p> <p>Comply</p> <p>Explain</p>

<p>individuals.)</p> <ul style="list-style-type: none"> <li>○ subject to an annual appraisal by the Permanent Secretary or relevant Director General</li> <li>○ Appraises other board members ensuring they are performing to standard, following disciplinary procedures if necessary and ensuring they are committing the appropriate time to the work.</li> </ul>	
Overall assessment of the role of the Chair	<b>Green</b>

Evidence of compliance or explanation for non-compliance
<p>1 Compliance</p> <p>The Council has a non executive chair who is appointed by BIS:  <a href="http://www.esrc.ac.uk/about-esrc/governance/directors/chair.aspx">http://www.esrc.ac.uk/about-esrc/governance/directors/chair.aspx</a></p> <p>Dr Alan Gillespie is currently Senior Independent Director at Old Mutual plc.</p>
<p>2 Compliance</p> <p>An independent public appointments assessor sits on the interview/selection panel for the chair.</p>
<p>3 Explain</p> <p>The responsibilities of the chair are laid out in the code of practice, which is available in the public domain:  <a href="http://www.esrc.ac.uk/about-esrc/governance/committees/members-info.aspx">http://www.esrc.ac.uk/about-esrc/governance/committees/members-info.aspx</a></p> <p>These include:</p> <ul style="list-style-type: none"> <li>• ensuring that all new members of the Council are properly briefed on the terms of their appointment, and on their duties and responsibilities.</li> <li>• Providing effective strategic leadership</li> <li>• Undertaking an annual appraisal of individual members</li> <li>• Ensuring the Council undertakes a formal and rigorous annual evaluation of its performance</li> <li>• Ensuring that the Council meets at regular intervals throughout the year; and that minutes of the meeting accurately record decisions taken.</li> </ul>



**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

ESRC appointments are fully compliant with OCPA processes, and the Chair of Council fulfils all his responsibilities as set out in the code of practice.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

The ESRC will work with BIS as required to introduce measures to assess the Chair's performance.

### ***ROLE OF THE CHIEF EXECUTIVE OFFICER (CEO)***

*The CEO is responsible for leadership of the PO and for ensuring its overall effectiveness*

Detail of Requirement	Assessment
1. The PO should be led by a CEO, whose duties, roles and responsibilities, terms of office and remuneration should be set out clearly and formally defined in writing. Terms and conditions must be in line with CO guidance and any statutory requirement	Comply
2. There should be a formal, rigorous and transparent process for the appointment of the CEO.	Comply
3. the responsibilities of the CEO can include the responsibilities of the Accounting Officer, the Consolidation Officer and Principal Officer for Ombudsman which involve: <ul style="list-style-type: none"> <li>○ Overall responsibility for the PO's performance, accounting for any disbursements of grant to the</li> </ul>	Comply

<p>PO.</p> <ul style="list-style-type: none"> <li>○ Establish the PO's corporate and business plans and departmental targets.</li> <li>○ Inform the Ministry of Justice of any complaints about the PO accepted by the Ombudsman for investigation if applicable.</li> <li>○ management of senior staff within the PO ensuring they are meeting objectives and following disciplinary procedures if necessary</li> <li>○ Maintains accounting records that provide the necessary information for the consolidation if applicable.</li> <li>○ (Details of accounting officer covered under 10: Effective Financial Management.)</li> </ul>	
Overall assessment of the role of the CEO	<b>Green</b>

Evidence of compliance or explanation for non-compliance
<p>1 Compliant</p> <p>The Council's CEO role and responsibilities are described in the letter of appointment.</p>
<p>2 Compliant</p> <p>The Department operates a fair and open process for the appointment of a CEO which essentially follows the same procedure as an OCPA regulated recruitment. Although there is no OCPA public appointments assessor involved there is always an independent panel member. For CEOs the appointment panel is chaired by the Director-General Knowledge and Innovation and includes the Director Research Base, the Chair of the Research Council and an independent panel member.</p>
<p>3 Compliant</p> <p>The CE has responsibilities as Accounting Officer, Principal Officer for Ombudsman cases and Consolidation Officer, laid out in the letter or appointment and supported by the Council code of practice which is in the public domain:</p> <p><a href="http://www.esrc.ac.uk/about-esrc/governance/committees/members-info.aspx">http://www.esrc.ac.uk/about-esrc/governance/committees/members-info.aspx</a></p>

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

The role, responsibilities and terms and conditions of CEO appointment are set out clearly.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

No areas require immediate attention for improvement. Nevertheless, ESRC is committed to continuous improvement, and is responsive to any recommendations made through formal assessment and audit processes.

## ***ROLE OF THE NON-EXECUTIVE BOARD MEMBERS***

*As part of their role, non-executive board members provide independent and constructive challenge*

Detail of Requirement	Assessment
<p>Non-executive members should:</p> <ol style="list-style-type: none"> <li>1. Form the majority of the board.</li> <li>2. Be appointed under a formal, rigorous and transparent process compliant with the code of practice issued by OCPA.</li> <li>3. Have their duties, roles and responsibilities, terms of office and remuneration set out clearly and formally defined in writing. Their terms and conditions must be in line with CO guidance and any statutory requirement.</li> <li>4. be independent of management</li> </ol>	<p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p>

5. Allocate sufficient time to the board with details of their attendance published.	Comply
6. Undergo proper induction, and appraisals.	Comply
<p>7. their responsibilities include:</p> <ul style="list-style-type: none"> <li>○ Establishing strategic direction of the PO and oversee development and implementation of strategies, plans, priorities and performance/financial targets.</li> <li>○ Ensuring the PO complies with statutory and administrative requirements on the use of public funds and operates within its statutory and delegated authority.</li> <li>○ That high standards of corporate governance are observed.</li> </ul>	Comply
Overall assessment of the role of non-executive directors	<b>Green</b>

Evidence of compliance or explanation for non-compliance
<p>1 Compliant</p> <p>Non-executive members form the majority of the Council's Board (known as the Council). Membership is published on the ESRC website: <a href="http://www.esrc.ac.uk/about-esrc/governance/esrc-council/index.aspx">http://www.esrc.ac.uk/about-esrc/governance/esrc-council/index.aspx</a></p>
<p>2 Compliant</p> <p>As an upper tier body, appointments to Council are required to be made in accordance with the OCPA Code of Practice. For Council members the OCPA code requires there to be an independent panel member. At the end of the recruitment the Department certifies that the recruitment was conducted in accordance with the Code. These certificates are available.</p>
<p>3 Compliant</p> <p>Council members' role and responsibilities, term of office, remuneration and other terms and conditions are set out in the letter offering appointment, including the accompanying Code of Practice.</p>

<p>4 Compliant</p> <p>Council members are independent of any management structures and appointed independent of the management, by BIS.</p>
<p>5 Compliant</p> <p>Council member attendance is published within the governance statement in the annual report, which is in the public domain: <a href="http://www.esrc.ac.uk/news-and-events/publications/annual-report/index.aspx">http://www.esrc.ac.uk/news-and-events/publications/annual-report/index.aspx</a></p>
<p>6 Compliant</p> <p>Council members have induction days where the new members have their roles and responsibilities explained, including the requirements to comply with codes of conduct and expenses policies. Council members are also expected to familiarise themselves with the Council Members' handbook <a href="http://www.esrc.ac.uk/about-esrc/governance/committees/members-info.aspx">http://www.esrc.ac.uk/about-esrc/governance/committees/members-info.aspx</a></p>
<p>7 Compliant</p> <p>The handbook for Council members outlines the responsibilities which include:</p> <ul style="list-style-type: none"> <li>• observe the highest standards of impartiality, integrity and objectivity in relation to the stewardship of public funds and the management of bodies concerned</li> <li>• in accordance with government policy on openness, comply with all reasonable requests for information from Parliament, users of services and individual citizens</li> <li>• be accountable to Parliament, users of services, individual citizens and staff for the activities of the ESRC, its stewardship of public funds and the extent to which key performance targets and objectives have been met</li> <li>• maximise value for money through ensuring that services are delivered in the most efficient and economical way, within available resources, and that the independent validation of performance is achieved wherever practicable.</li> </ul> <p><a href="http://www.esrc.ac.uk/about-esrc/governance/committees/members-info.aspx">http://www.esrc.ac.uk/about-esrc/governance/committees/members-info.aspx</a></p>

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

The appointments process for new members is robust and rigorous. Council members are strongly engaged with the work of ESRC, and are fully aware of their responsibilities.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

The Council Members' code of practice is currently being updated on a cross-Council basis to provide greater clarity on members' roles, and to achieve harmonisation of practice across Research Councils.

## ***EFFECTIVE FINANCIAL MANAGEMENT***

*The PO has taken appropriate steps to ensure that effective systems of financial management and internal controls are in place*

Detail of Requirement	Assessment
1. publish on time an objective, balanced and understandable annual report which complies with Treasury guidance, and includes an Annual Governance Statement;	Comply
2. comply with NAO requirements relating to the production and certification of their annual accounts;	Comply
3. have effective systems of risk management as part of their systems of internal control;	Comply
4. ensure an effective internal audit function is established which operates to Government Internal Audit Standards in accordance with CO guidance;	Comply
5. have appropriate financial delegations in place understood by all relevant staff and stakeholders. effective systems must be in place to ensure compliance with these delegations and the systems are regularly reviewed;	Comply
6. have anti-fraud and anti-corruption measures in place, and clear published rules governing claiming of expenses, with systems in place to ensure compliance.	Comply

Information on expenses claimed by board members and senior staff should be published;	
7. establish an audit (or audit and risk) committee with responsibility for independent review of the systems of internal control and external audit process;	Comply
8. take steps to ensure objective and professional relationship is maintained with external auditors.	Comply
9. Comply with BIS guidance with regard to any department restrictions on spending.	Comply
10. report to Corporate Finance with management accounts and Grant In Aid authorities	Comply
Overall assessment of effective financial management	<b>Green</b>

<b>Evidence of compliance or explanation for non-compliance</b>
<p>1. Compliant</p> <p>The annual report and NAO approved accounts are published on the website:  <a href="http://www.esrc.ac.uk/news-and-events/publications/annual-report/index.aspx">http://www.esrc.ac.uk/news-and-events/publications/annual-report/index.aspx</a></p> <p>This contains the governance statement by the CEO (AO).</p>
<p>2. Compliant</p> <p>The annual accounts have been certified by the National Audit Office without qualification</p>
<p>3 Compliant</p> <p>The Council's corporate risk register is reviewed at each meeting of the Council's audit committee where internal audit attend and are invited to comment.</p>
<p>4 Compliant</p> <p>The Council uses the Research Council Audit and Assurance Services Group which</p>

<p>operates to Government Internal Audit Standards.</p> <p>A regular programme of audits exists which are approved by the Council's Audit Committee which covers the risk management and the aspects of Council operation identified in the risk logs. The Audit Committee reports on its operation, see examples provided and membership and meeting schedule are in the public domain:</p> <p><a href="http://www.esrc.ac.uk/about-esrc/governance/committees/audit-committee/index.aspx">http://www.esrc.ac.uk/about-esrc/governance/committees/audit-committee/index.aspx</a></p>
<p>5 Compliant</p> <p>A financial delegations document exists for the Council and is circulated to all staff. These financial delegations are translated to the relevant IT systems, managed by the Shared Business Services, which apply controls based on the delegated authorities.</p> <p>Staff financial delegations are checked monthly to adjust for any staff joining or leaving the Council. The financial delegations process as a whole is reviewed on an annual basis to ensure that it remains fit for purpose. The most recent review, earlier this year, resulted in some significant changes to the process as a result of changes to ESRC funding schemes and changes in the Council's senior staff.</p>
<p>6 Compliant</p> <p>The ESRC publish all expenses for staff and Council members.  <a href="http://www.esrc.ac.uk/about-esrc/information/spend-over-25k.aspx">http://www.esrc.ac.uk/about-esrc/information/spend-over-25k.aspx</a>. The £25k threshold was removed at the end of 2012, and all expenditure is now published monthly.</p> <p>The Council has a Fraud Policy and Gifts Policy and the RCUK Fraud and Bribery Awareness e-learning course is mandatory for all staff.</p> <p>Separate Travel and Subsistence policies for staff and non-staff (covering Council and Committee Members and other non-employees travelling on ESRC business) are published on the website (<a href="http://www.esrc.ac.uk/about-esrc/information/travel-subsistence.aspx">http://www.esrc.ac.uk/about-esrc/information/travel-subsistence.aspx</a>)</p> <p>The total expenditure for staff travel, conferences and training is provided in the Annual Report and Accounts.</p>
<p>7 Compliant</p> <p>The Council has both anti-fraud policies and expenses policies. Expenses policies for staff are published in the relevant staff codes. Expenses policies for Council members are published on the website:</p> <p><a href="http://www.esrc.ac.uk/about-esrc/information/travel-subsistence.aspx">http://www.esrc.ac.uk/about-esrc/information/travel-subsistence.aspx</a></p> <p>The policies and procedures are subject to internal audit, the last audit was conducted in 2005/06 and gave a substantial assurance. An advisory audit on the processing of</p>



<p>non-staff expenses was undertaken in 2012/13.</p> <p>The Council's staff all fall under the level normal used for reporting expenses.</p>
<p>8 Compliant</p> <p>The Council has an Audit Committee which has external membership, details can be found on the website: <a href="http://www.esrc.ac.uk/about-esrc/governance/committees/audit-committee/index.aspx">http://www.esrc.ac.uk/about-esrc/governance/committees/audit-committee/index.aspx</a></p>
<p>9 Compliant</p> <p>There are regular and constructive discussions with the NAO.</p>
<p>10 Compliant</p> <p>The Council complies with the BIS guidance in relation to spending controls including those introduced by the Cabinet Office in areas such as consultancy and marketing. This is regularly discussed with the BIS-Research Base team</p>
<p>11 Compliant</p> <p>The Council has regular contact with the BIS Corporate and Research Base Finance teams and complies with the requirements for the submission of regular management accounts.</p>

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

ESRC has taken appropriate steps to ensure that effective systems of financial management and internal controls are in place. Policies and procedures exist, and these are supported by a variety of review and audit functions.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

No areas require immediate attention for improvement. Nevertheless, ESRC is committed to continuous improvement, and is responsive to any recommendations made through formal assessment and audit processes.

## COMMUNICATION AND ENGAGEMENT

*The Public Body is open, transparent, accountable and responsive*

Detail of Requirement	Assessment
<p>The PO should:</p> <ol style="list-style-type: none"> <li>1. establish clear and effective channels of communication with stakeholders;</li> <li>2. make an explicit commitment to openness in all activities. Engage and consult with public on issues of public interest or concern and publish details of senior staff and board members with contact details;</li> <li>3. hold open board meetings or an annual open meeting;</li> <li>4. proactively publish agendas, minutes of board meetings and performance data;</li> <li>5. establish and publish effective correspondence handling and complaint procedures, and make it simple for members of the public to contact them/make complaints. Complaints should be investigated thoroughly and be subject to investigation by the Parliamentary Ombudsman. Performance in handling correspondence should be monitored and reported on;</li> <li>6. comply with any Government restrictions on publicity and advertising, with appropriate rules in place to limit use of marketing and PR consultants. Have robust and effective systems in place to ensure the PO is not engaged in political lobbying, includes restriction on board members attending Party Conferences in a professional capacity.</li> <li>7. engage the Sponsor Group appropriately especially in instances where events may have reputational implications on the department.</li> </ol>	<p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p>

Overall assessment of communications	<b>Green</b>
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### Evidence of compliance or explanation for non-compliance

#### 1 Compliant

Public engagement and effective communication are part of the Councils Mission. The council has a Public Engagement and a Communication strategy.

In addition some aspects of the Councils communications are coordinated at RCUK level.

ESRC conducts an annual web user survey to better understand website requirements by stakeholders, a biennial publications review to understand stakeholder requirements for printed material, and a five-yearly communications benchmarking review which looks at all forms of communication and stakeholder requirements.

ESRC also has a strong social media presence with an active twitter following and Linked in and Facebook groups, and a social media policy for staff

#### 2 Compliant

The Council has committed itself to openness in all its activities. The Council's website contains information targeted at a range of audiences.

<http://www.esrc.ac.uk/index.aspx>

Information about senior staff and council members is published on the website and in the annual report.

The Councils discussions with a range of stakeholders, including the general public about its forward strategies and activities.

ESRC has developed public dialogue throughout its processes, including public representatives in the Grants Assessment Panels, embedding dialogue into two-stage grants calls where appropriate to inform research grants development, and undertaking dialogues around large strategic issues such as using Government administrative data.

#### 3 Explain

ESRC holds a biennial Open public meeting which is linked to the development of the Strategy and/or Delivery plan. This ensures that attendees have something specific on

which they can be consulted and that ESRC will be able to take on board and strategically act on views expressed in the public meetings. These meetings are, of course, in addition to other consultation mechanisms used by the Council in developing its strategic priorities.

There are currently no plans to increase the regularity of public meetings; these are only appropriate when there is a particular issue requiring discussion, otherwise the level of resourcing required to deliver a public meeting would outweigh the potential benefits.

#### 4 Compliant

Currently, ESRC publishes a summary note of each Council meeting:  
<http://www.esrc.ac.uk/about-esrc/governance/esrc-council/index.aspx>

Following the recommendations of a recent audit of Corporate Governance, the agenda and minutes of future meetings will be made available on the website. The first set of full minutes will be published following their formal approval at the next meeting of Council on 27 September.

The Council publishes a range of additional documents including delivery plans, strategic plans and annual reports:

<http://www.esrc.ac.uk/news-and-events/publications/delivery-plan/index.aspx>

<http://www.esrc.ac.uk/news-and-events/publications/strategic-plan/index.aspx>

<http://www.esrc.ac.uk/news-and-events/publications/annual-report/index.aspx>

In addition to these documents, progress is monitored through the annual Scorecard and Economic Impact Report:

<http://www.esrc.ac.uk/news-and-events/publications/delivery-plan/index.aspx>

<http://www.esrc.ac.uk/funding-and-guidance/tools-and-resources/impact-evaluation/economic-impact-reports.aspx>

#### 5 Compliant

The Council has a formal complaints procedure including designated complaints officers who handle the requests; these procedures are outlined on the website:  
<http://www.esrc.ac.uk/about-esrc/information/Complaints.aspx>

#### 6 Compliant

The Council has complied with central government spending control requirements on publicity and advertising. It avoids engagement in political lobbying and has regularly informed its council members and staff on the restrictions on participation in Party

Conferences. A formal internal sign-off mechanism has been introduced for expenditure in excess of £10k, and any spend over £100k has been put to the Government's ERG for approval.

#### 7 Compliant

The Council engages closely with its sponsorship team in the BIS Research Base and the BIS communication specialists on communications matters particularly where there are potential reputational issues. Examples of engagement include

- 6-monthly performance review between the ESRC CEO and Directors and BIS RB senior managers
- Regular meetings at many levels (CE, directors, senior managers)
- BIS attendance at all ESRC Council meetings.

#### **Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

ESRC is an open organisation, which employs a range of communication channels to engage with different audiences.

#### **Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

The potential to introduce a more harmonised complaints handling policy across Research Councils is being explored.

## **CONDUCT AND PROPRIETY**

*The board and staff of the PO work to the highest personal and professional standards. They promote the values of the PO and of good governance through their conduct and behaviour*

Detail of Requirement	Assessment
1. a Code of Conduct must be in place setting out the standards of personal and professional behaviour and propriety expected of all board members which follows the CO Code and form part of the terms and conditions of appointment;	Comply
2. the PO has adopted a Code of Conduct for staff based on the CO model Code and form part of the terms and conditions of employment;	Comply
3. there are clear rules and procedures in place for managing conflicts of interest. There is a publicly available Register of Interests for board members and senior staff which is regularly updated;	Comply
4. there are clear rules and guidelines in place on political activity for board members and staff with effective systems in place to ensure compliance with any restrictions;	Comply
5. there are rules in place for board members and senior staff on the acceptance of appointments or employment after resignation or retirement which are effectively enforced;	Comply
6. Board members and senior staff should show leadership by conducting themselves in accordance with the highest standards of personal and professional behaviour and in line with the principles set out in respective Codes of Conduct.	Comply
Overall assessment of conduct and propriety	<b>Green</b>

Evidence of compliance or explanation for non-compliance	
1 Compliant	<p>The code of practice for council members and the accompanying handbook is available in the public domain:<a href="http://www.esrc.ac.uk/about-esrc/governance/committees/members-info.aspx">http://www.esrc.ac.uk/about-esrc/governance/committees/members-info.aspx</a></p>
2 Compliant	<p>The Council staff and line manager guide includes a code of conduct which complies with the Cabinet Office model. The provisions of the guide form part of the terms and conditions of staff, and are also highlighted in the contract of employment. In addition to the standard code of conduct, ESRC has also adopted a Social Media Policy which complements the code of conduct.</p>
3 Compliant	<p>Guidance on conflicts of interest for Council Members is provided in the Code of Practice issued with the letter offering appointment. Council members' and senior staff declared interests are published on the public data section of the website:<a href="http://www.esrc.ac.uk/about-esrc/governance/index.aspx">http://www.esrc.ac.uk/about-esrc/governance/index.aspx</a></p> <p>The code of conduct covers the issue of conflicts of interest for staff.</p>
4 Compliant	<p>The Council Members Code of Practice, which accompanies the letters offering appointment to the Council, provides guidelines on political activity. Council Members are reminded of appropriate guidance whenever this is issued by Cabinet Office.</p> <p>For Council staff the Code of Conduct includes the statement on Public Sector Values and Behaviours - which covers the issue of political impartiality. Staff are reminded of their responsibilities with regard to political activity during periods of purdah.</p>
5 Compliant	<p>Rules are in place covering acceptance of employment etc after resignation or retirement of Council Members.</p> <p>There are no similar express provisions for staff but the issue is covered in the staff and line manager guide in relation to conflicts of interest.</p>
6 Compliant	<p>The Council Members Code of Practice, which accompanies the letters offering appointment to the Council, makes it clear that individual Board members should be aware of their conduct and wider responsibilities as members of the Board and that</p>

they should follow the Nolan Committee’s “Seven Principles of Public Life”.

New Council members and new senior staff discuss the code of practice and its practical implementation, and Council members and staff are regularly reminded of the standards expected of them

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

Robust code of conduct requirements are in place for ESRC staff and Council members, and these are reviewed regularly.

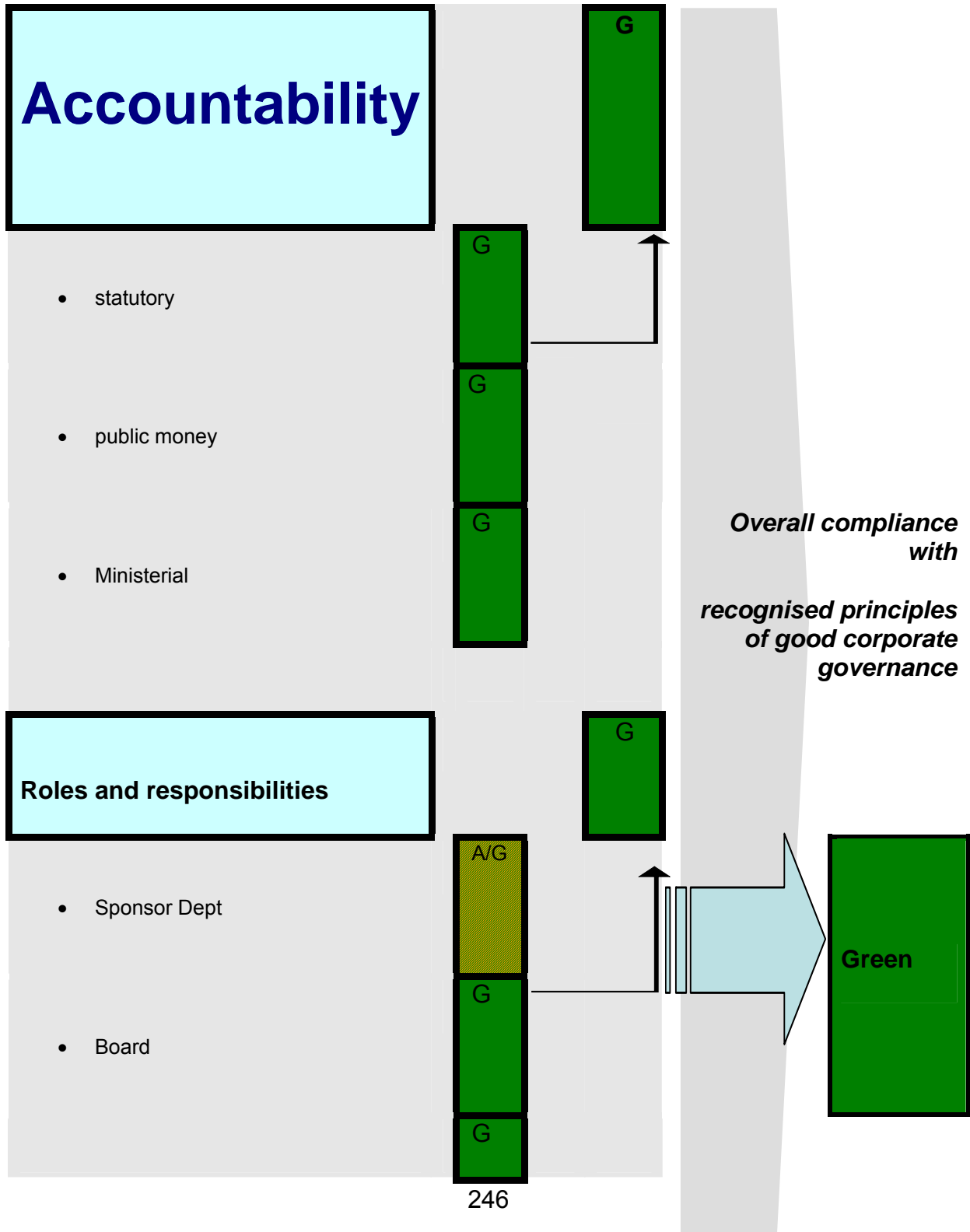
**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

Staff code of conduct policies will be reviewed as part of the creation of the joint HR unit (part of the Professional Services Unit), which will cover ESRC, AHRC and EPSRC.



# Annex J: Detailed assessment - EPSRC

## SUMMARY ASSESSMENT



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<ul style="list-style-type: none"><li>• Chair</li><li>• CEO</li><li>• NEDS</li></ul>	G	
G	G	
G		
<b>Effective financial management</b>		G
<b>Communication</b>		G
<b>Conduct and behaviour</b>		G

## STATUTORY ACCOUNTABILITY

*Does the public body comply with all applicable statutes and regulations and other relevant good practice?*

Detail of Requirement	Assessment
<p>The PO:</p> <ol style="list-style-type: none"> <li>1. complies with all statutory and administrative requirements on the use of public funds (inc HMT Managing Public Money, and CO/HMT spending controls);</li> <li>2. operates within the limits of its statutory authority and in accordance with delegated authorities agreed with BIS</li> <li>3. operates in line with statutory requirements for the Freedom of Information Act;</li> <li>4. has a comprehensive publication scheme;</li> <li>5. proactively releases information that is of legitimate public interest;</li> <li>6. Produces annual reports and accounts which are laid before Parliament</li> <li>7. complies with data protection legislation;</li> <li>8. complies with Public Records Acts 1958 and 1967.</li> </ol>	<p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p>

Overall assessment of statutory accountability	<b>Green</b>
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### Evidence of compliance or explanation for non-compliance

#### 1 Compliant

The NAO audited accounts are available on the website.

The Comptroller and Auditor General, gave the accounts an unqualified audit opinion, without modification.

<http://www.epsrc.ac.uk/newsevents/pubs/corporate/annualreport/Pages/reportaccounts.aspx>

Accounting procedures are also internally audited, the last report in 2010-11 gave Substantial level assurance.

#### 2, Compliant

The Research Councils delegated authorities are laid out in a letter of delegation, which is evergreen, i.e. operates until superseded.

Compliance with this is demonstrated through the published annual accounts.

#### 3 Compliant

All Councils, to comply with the FoI Act, also have to provide a 'Publication Scheme' on their website: <http://www.epsrc.ac.uk/about/infoaccess/pubscheme/Pages/foi.aspx>

This is required to proactively provide as much corporate information as possible to the general public, without them having to ask for it to be made available.

In 2012 EPSRC dealt with 25 requests for information under the Act and responded to all within the statutory time period.

The Councils provides FOI guidance to staff. These were last audited in June 2012 with overall substantial level assurance.

A cross-Research Council Freedom of Information Audit in 2011-12 (Ref CCA02-1112) gave a Substantial Assurance rating.

#### 4 Compliant

One of the 3 RC's Royal Charter objectives is to disseminate knowledge. This is accomplished in part by each council's communication strategy. This is in addition to compliance with FOI statutes and 'publication scheme' (see Q3 above). These communication strategies include the publication of a range of documents on the council website including:

- annual reports and accounts
- delivery plans
- strategic plans and subject specific strategies
- Research Performance & Economic Impact Reports

<http://www.epsrc.ac.uk/about/plans/Pages/ourplans.aspx>

<http://www.epsrc.ac.uk/newsevents/pubs/corporate/annualreport/Pages/reportaccounts.aspx>

<http://www.epsrc.ac.uk/newsevents/pubs/corporate/reporting/Pages/framework.aspx>

#### 5 Compliant

In addition to publication of key documents (Q4 above) and documents published to facilitate compliance with the FOI act (Q3 above) - to comply with their Royal Charter Objectives councils publish regular news items and featured research articles:

<http://www.epsrc.ac.uk/Pages/default.aspx>

EPSRC has developed an App for mobile devices which features Growth Stories to showcase a host of pioneering science and engineering stories, bringing to life the impact their investments are having on the UK economy and on everyday life – from advances in healthcare technologies to new forms of sustainable energy:

<http://www.epsrc.ac.uk/newsevents/casestudies/Pages/casestudies.aspx>

Councils also have a data sharing policy to allow the appropriate sharing of research outputs in a timely manner:

<http://www.epsrc.ac.uk/newsevents/news/2011/Pages/researchdata.aspx>

RCUK have an agreed policy on open access which will improve public access to the outputs of publically funded research:

<http://www.rcuk.ac.uk/documents/documents/RCUKOpenAccessPolicy.pdf>

#### 6 Compliant

Councils produce publically available annual reports and accounts; these are also laid before parliament:

<http://www.epsrc.ac.uk/newsevents/pubs/corporate/annualreport/Pages/reportaccounts.aspx>

**7 Compliant**

All councils have Data Protection officers and have filed notifications with the ICO. Effective delivery of the regulation covered by regular internal audit. There is currently a cross-Council audit on data protection taking place, which is due to report later in the year.

**8 Compliant**

All councils comply with the acts relevant code of practice and regulations and have appropriate record retention and archiving policies to reflect this. EPSRC is a signatory to the act.

### **Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

EPSRC publications and associated communications activities to promote and publicise the investments made on behalf of tax-payers. This is done through a variety of routes. A notable recent highlight is EPSRC's Growth App, providing case study stories of investments aligned to economic growth, available as a downloadable app on phones, PCs etc.

EPSRC's support for the Bloodhound project is another high-profile public engagement success.

EPSRC uses a targeted relationship management approach with those universities which account for the greater part of their investment, and with key user organisations. This strategic approach to communication and engagement with stakeholders has led to strong, collaborative relationships with those organisations enabling the development of policies fit for the wider research and user ecosystem.

Substantial assurance given to EPSRC's FoI activities in the most recent relevant audit (June 2012).

### **Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

Actions planned: review and enhance policies and procedures in the light of the outcome of the cross-Council Data Protection audit due for completion later this year, subject to available resources, and consistency with operational effectiveness and efficiency.

EPSRC will be reviewing and updating its records management policy later this year.

All staff are mandated to take training in information security and assurance.

## **ACCOUNTABILITY FOR PUBLIC MONEY**

*The Accounting Officer of the PO is personally responsible and accountable to Parliament for the use of public money by the body and the stewardship of assets*

Detail of Requirement	Assessment
<p>1. There is a formally designated Accounting Officer (AO) who in particular has a responsibility to provide evidence-based assurances required by the Principal Accounting Officer (PAO);</p>	Comply
<p>2. The role, responsibilities and accountability of the AO should be clearly defined and understood and the AO should have received appropriate training;</p>	Comply
<p>3. The PO should be compliant with requirements set out in Managing Public Money, relevant Dear Accounting Officer letters and other directions;</p>	Comply
<p>4. The PO should establish appropriate arrangements to ensure that public funds:</p> <ul style="list-style-type: none"> <li>○ are properly safeguarded;</li> <li>○ are used economically, efficiently and effectively;</li> <li>○ are used in accordance with the statutory or other authorities that govern their use;</li> <li>○ deliver value for money for the Exchequer as a whole;</li> <li>○ are subject to Treasury approval, either directly or through established delegated authority;</li> </ul>	Comply
<p>5. The annual accounts are laid before Parliament after certification by the Comptroller and Auditor General</p>	Comply

Overall assessment of accountability for public money	<b>Green</b>
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<b>Evidence of compliance or explanation for non-compliance</b>	
1 Compliant	<p>EPSRC's CEO is Accounting Officer for the Council, with delegated authorities outlined in the letter of delegation, from the Perm Sec (as Principle Accounting officer) sent via the relevant DG on his behalf.</p>
2 Compliant	<p>Yes, in the delegated authority letter. New CEOs receive appropriate training provided by BIS.</p>
3 Compliant	<p>EPSRC receives regular formal communications from BIS with instructions for compliance with any revised accountabilities. The compliance and robustness of any controls is checked regularly by internal audit. The last audit which covered compliance with accountability was run in 2011-12 and gave substantial level assurance, the next planned audit is in 2013-14.</p>
4 Compliant	<p>The Comptroller and Auditor General, in reviewing the Annual Report and Accounts, is required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and that the financial transactions recorded in the financial statements conform to the authorities which govern them.</p> <p>EPSRC's CEO as the Accounting Officer has delegations laid down by BIS. These delegations are handled through internal delegation authorities. The robustness of these controls is checked regularly by internal audit. The last audit which covered financial controls was run in 2011-12 and gave substantial level assurance, the next planned audit is in 2013-14.</p>



The Council has a number of royal charter objectives, and undertakes programmes to underpin these, in summary:

The objects for which the Council is established and incorporated are:

- i. to promote and support, by any means, high-quality basic, strategic and applied research and related post-graduate training in engineering and the physical sciences;
- ii. to advance knowledge and technology (including the promotion and support of the exploitation of research outcomes), and provide trained scientists and engineers, which meet the needs of users and beneficiaries (including the chemical, communications, construction, electrical, electronic, energy, engineering, information technology, pharmaceutical, process and other industries), thereby contributing to the economic competitiveness of Our United Kingdom and the quality of life;
- iii. in relation to the activities as engaged in by the Council under (i) and (ii) above and in such manner as the Council may see fit:
  - a. to generate public awareness;
  - b. to communicate research outcomes;
  - c. to encourage public engagement and dialogue;
  - d. to disseminate knowledge; and
  - e. to provide advice.

The Council and the RCs collectively invest in evaluation measures to demonstrate the delivery of the mission, in collaboration with BIS. Citation metrics demonstrate the UK leads in research excellence globally and is only ever second to the US.

## 5 Compliant

EPSRC's accounts are signed-off by the Auditor General and laid before parliament after certification by the NAO, the accounts can be found here: <http://www.epsrc.ac.uk/newsevents/pubs/corporate/annualreport/Pages/reportaccounts.aspx>

### **Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

Substantial level assurance given to EPSRC's accounting controls in the last relevant audit, 2010-11.

### Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team

As described earlier, Research Councils have multiple arrangements in place to ensure the good use of public funds at the individual Research Council level.

In addition, Research Councils work together as Research Councils UK to ensure the good use of public funds at the collective level:

- In 2006 Research Councils established RCUK Shared Service Centre Ltd. to deliver efficiency savings through providing shared back-office functions to the seven Research Councils. In 2012 the company began delivering shared services to the wider BIS family of partner organisations as UK SBS Ltd.

Research Councils are keen to go further though, and are exploring with BIS:

- Changes to the governance of RCUK Executive Group to charge the group with responsibility for delivering collective efficiency savings and transformational change across Research Councils.
- A stronger role for the BIS DG Knowledge & Innovation to enable more agile decision making within RCUK Executive Group.
- The establishment of an RCUK Chairs forum as an advisory forum on issues of governance.

These changes build on Recommendations 8 and 9 from Stage 1 of the Triennial Review of the Research Councils.

## **MINISTERIAL ACCOUNTABILITY**

*The Secretary of State is ultimately accountable to Parliament and the public for the overall performance of the public body*

Detail of Requirement	Assessment
1. the Secretary of State and Sponsor should exercise appropriate scrutiny and oversight of the PO;	Comply
2. appointments to the board should be made in line with any statutory requirements and, where appropriate, with the <i>Code of Practice</i> issued by OCPA;	Comply

<p>3. the Secretary of State will normally appoint the Chair and all non-executive board members of the PO and be able to remove individuals whose performance or conduct is unsatisfactory;</p>	<p>Comply</p>
<p>4. the Secretary of State should be consulted on the appointment of the Chief Executive and will normally approve the terms and conditions of employment;</p>	<p>Comply</p>
<p>5. the Secretary of State should meet the Chair and/or Chief Executive on a regular basis</p>	<p>Comply</p>
<p>6. Parliament should be informed of the activities of the PO through publication of an annual report;</p>	<p>Comply</p>
<p>7. a range of appropriate controls and safeguards should be in place to ensure that the Secretary of State is consulted on key issues and can be properly held to account (e.g. Business Plan, power to require information, a general or specific power of Ministerial direction over the PO, a power for the Secretary of State to be consulted on key financial decisions.)</p>	<p>Comply</p>
<p>Overall assessment of Ministerial Accountability</p>	<p><b>Green</b></p>

<p><b>Evidence of compliance or explanation for non-compliance</b></p>
<p>1 Compliant</p> <p>There are frequent Ministerial meetings with Chief Executives and Chairs on topical issues as they arise. In addition, the Minister for Universities and Science has regular (bi-monthly) meetings with the seven Chief Executives as well as regular one-to-one meetings with the Chair of Research Councils UK, and for each of the Research Councils has attended Council meetings by invitation.</p> <p>Following accountability meetings with the BIS Sponsor Director and team, the Minister for Universities and Science also receives regular twice yearly updates on the performance of the Research Councils and upcoming issues and risks.</p> <p>BIS Ministers are frequently involved in announcements about new Research Council developments and initiatives and there is regular and frequent communications between the Research Council and BIS comms teams.</p>

<p>2 Compliant</p> <p>As an upper tier body, appointments to Council are required to be made in accordance with the OCPA Code of Practice. For the recruitment of Research Council Chairs the OCPA code requires an OCPA Public Appointments Assessor to chair the appointment panel and certify the overall process met the OCPA code in a final written report. There is also an independent panel member. For Council members the OCPA code requires there to be an independent panel member. At the end of the recruitment the Department certifies that the recruitment was conducted in accordance with the Code. These certificates are available. The recruitment of Chief Executives is not covered by the OCPA Code but in the spirit of fair and open recruitment the Department uses a process analogous to the OCPA Code.</p>
<p>3 Compliant</p> <p>The Secretary of State is responsible for appointing the Chair, Chief Executive and Council members. The sponsorship team is responsible for the management of appointments and submission of names to Ministers.</p> <p>Appointment letters note that Board Members may be removed from office by the Secretary of State on grounds of incapacity or misbehaviour or a failure to observe the terms and conditions of the appointment.</p>
<p>4 Compliant</p> <p>The Secretary of State is responsible for the recruitment of and makes the final decision on who is appointed as Chief Executive. Terms and conditions for Chief Executives consist of an appointment letter from the Department supplemented by a further Service Contract issued by the Research Council.</p>
<p>5 Compliant</p> <p>The Minister has regular (bi-monthly) meetings with the seven Chief Executives as well as regular one-to-one meetings with the Chair of Research Councils UK, and for each of the Research Councils has attended Council meetings by invitation. This is in addition, to frequent <i>ad hoc</i> discussion with Chief Executives, Chairs and others within Research Councils, of topical issues as they arise.</p>
<p>6 Compliant</p> <p>EPSRC Annual Reports are published: <a href="http://www.epsrc.ac.uk/newsevents/pubs/corporate/annualreport/Pages/eportaccounts.aspx">http://www.epsrc.ac.uk/newsevents/pubs/corporate/annualreport/Pages/eportaccounts.aspx</a></p>
<p>7 Compliant</p> <p>The Research Council's Management Statement and Financial Memorandum sets out provisions for the Secretary of State to be consulted on key decisions. In</p>

2012/13 The Department and the Councils have been updating the language and terminology used in the documents and it is planned that revised versions will be available in September 2013.

Research Councils consult BIS Ministers on its key strategic documents, including its Delivery Plans. Decisions going beyond Research Councils' delegated financial authority are also submitted to BIS for endorsement and agreement.

BIS Ministers are frequently involved in announcements about new Research Council developments and initiatives and there are regular and frequent communications between the Research Council and BIS comms teams.

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

Very strong Ministerial engagement with the work of the Research Councils.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

No areas of improvement identified by EPSRC

## **6. ROLE OF THE SPONSORING GROUP**

*BIS ensures that there are robust governance arrangements with the board of each PO setting out the terms of their relationship, and how they will be put in place to promote high performance and safeguard propriety and regularity*

Detail of Requirement	Assessment
<p>1. The Group should scrutinise the performance of the PO. There should be appropriate systems and processes to ensure effective governance, risk management and internal control in the PO;</p>	<p>Comply</p>



### 3. Compliant

Regular and frequent dialogue takes place between the Sponsor Team and the Research Council, in addition to six-monthly review meetings and regular one-to-one meetings between BIS and the Chief Executive.

The Sponsor team has senior official representation as an observer at Council meetings with Jeremy Clayton (Director) / Graeme Reid (Deputy Director) attending as an observer.

In the BIS Finance-led Partner Organisation Assessment Exercise, relationships between the BIS sponsor and the partner organisation have been rated strongly. These assessments are available.

### **Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

Strong relationships between the Research Council and the sponsoring group, with frequent and regular dialogue.

EPSRC pro-actively ensures Sponsor Group staff have strong and timely knowledge and awareness of PO activities through regular update bilaterals with appropriate contact points in the respective organisations, and through regular 'hot-desking' sessions within BIS offices.

Formal bilaterals between RCs and BIS, at CEO-DG level are held twice per year.

There is a Sponsor Group observer at all meetings of EPSRC Council.

Research Councils are revising the Framework documentation (Financial Memoranda, Management Statement, Code of Practice) in line with revised Cabinet Office guidance and current policies and best practice.

### **Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

Management Statements are in need of updating, which is currently underway.

## 7. ROLE OF THE BOARD

*The PO is led by an effective board which has collective responsibility for its overall performance and success, and provides strategic leadership, direction, support and guidance. The board has an appropriate balance of skills, experience, independence and knowledge, with a clear division of roles and responsibilities between Executives and Non-Executives*

Detail of Requirement	Assessment
<p>The Board of the PO should:</p> <ol style="list-style-type: none"> <li>1. meet regularly, retain effective control over the PO, and monitor the SMT, holding the CEO accountable for the performance and management of the PO;</li> <li>2. be appropriate in size with membership from a diverse background;</li> <li>3. establish a framework of strategic control specifying what matters are reserved for the board and establish arrangements to ensure it has access to relevant information, advice and recourses to carry out its role effectively;</li> <li>4. establish formal procedural and financial regulations to govern the conduct of its business;</li> <li>5. make a senior executive responsible for ensuring appropriate advice is given on financial matters, procedures are followed, and that all applicable statutes and regulations and other relevant statements of best practice are complied with;</li> <li>6. establish a remuneration committee to make recommendations on the remuneration of top executives. Information on senior salaries should be published and rules for recruitment and management of staff provide for appointment and advancement on merit;</li> <li>7. evaluated annually, including an evaluation of the chair and board members.</li> </ol>	<p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Explain</p>



Overall assessment of role of the Executive Board	<b>Green</b>
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Evidence of compliance or explanation for non-compliance
<p><b>1 Compliant</b></p> <p>The Council meets 5 times per year (in line with the Royal Charter requirement to meet “regularly”), and makes all decisions regarding strategy and direction of the EPSRC. The Council receives regular reports from the CEO and scrutinises the work of the senior management team in delivering the agreed strategy. It holds both to account for the management of the Council’s work</p>
<p><b>2 Compliant</b></p> <p>The governing board of the organisation is the Council, which consists of the Chair, Chief Executive acting as Deputy Chair, and 15 Council members, of whom 8 are academics from the Council's research community. This size and composition is consistent with the Council's Royal Charter, which states "The Council shall consist of a Chair, a Chief Executive and Deputy Chair, and not less than ten nor more than eighteen other members, at least half of whom shall be appointed by reason of their qualifications in science or engineering".</p> <p>As such, the size of the governing board is larger than might normally be expected, reflecting the diversity, experience and skills required for a Research Council Board. The diverse representation which this larger size enables does have the benefit of providing a demonstrable sense of 'ownership' of the organisation from across the Council's diverse academic and user community. As such, the Council to an extent performs a dual role of governing board and stakeholder forum.</p> <p>The Royal Charter and list of Council members and their backgrounds is provided in the data archive.</p> <p>EPSRC seeks to make appointment recommendations which provide a governing board fully representative of its stakeholders. While the Minister seeks to obtain as diverse a Board as possible, the prime factor in making appointments will always be the experience and expertise an individual will bring to the role.</p> <p>Current membership can be found on EPSRC’s website:</p>

<p><a href="http://www.epsrc.ac.uk/about/governance/council/Pages/membership.aspx">http://www.epsrc.ac.uk/about/governance/council/Pages/membership.aspx</a></p> <p>Past membership can be found in the annual reports which are in the public domain:</p> <p><a href="http://www.epsrc.ac.uk/newsevents/pubs/corporate/annualreport/Pages/reportaccounts.aspx">http://www.epsrc.ac.uk/newsevents/pubs/corporate/annualreport/Pages/reportaccounts.aspx</a></p>
<p>3 Compliant</p> <p>The framework for all governance and control is contained within the Code of Practice for Council Members which includes aspects such as strategic control and financial management.</p> <p>The current Code of Practice for Council members can be found on EPSRC's website <a href="http://www.epsrc.ac.uk/about/governance/council/Pages/codeofpractice.aspx">http://www.epsrc.ac.uk/about/governance/council/Pages/codeofpractice.aspx</a></p> <p>In response to a request from BIS, the Management Statement, Financial Memorandum and Code of Practice for Council Members have been reviewed and updated, and await final sign-off.</p>
<p>4 Compliant</p> <p>see above.</p>
<p>5 Compliant</p> <p>The Director Resources has been nominated as the senior executive responsible for providing advice to the Board on financial matters. He prepares the annual Governance Statement which is signed by the CEO as part of the process of completing the annual report and accounts. The Director of Resources is responsible for compliance with the treasury rules on managing public money.</p>
<p>6 Compliant</p> <p>The Annual Accounts contain a remuneration report. This is managed by the remuneration board. This report outlines the remuneration of Council members and senior Council staff, including performance related bonuses. These documents are in the public domain:</p> <p><a href="http://www.epsrc.ac.uk/newsevents/pubs/corporate/annualreport/Pages/reportaccounts.aspx">http://www.epsrc.ac.uk/newsevents/pubs/corporate/annualreport/Pages/reportaccounts.aspx</a></p>
<p>7 Explain</p> <p>Scheduled business for Council includes an annual opportunity of a closed session of Council in order for it to reflect on its own effectiveness.</p> <p>Council members have at least two individual appraisals during their term of appointment, conducted by the CEO and Chair. The first appraisal typically falls one</p>

year into the member's term of appointment, enabling them to reflect on their experiences so far, whilst the second typically falls at or near the expiry of their term, allowing the opportunity for maximum exchange regarding the member's experiences on the Council.

The Chair has regular meetings with BIS and the Director General of Knowledge and Innovation. BIS do not currently assess the performance of the Board or Chair as part of any formal evaluation.

A BIS representative observes each formal meeting of the Council.

EPSRC is currently conducting an independent Council Effectiveness Review.

### **Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

EPSRC works continuously to ensure the effectiveness of its governing body ("the Council").

EPSRC has in place a structure for commissioning strategic advice from its stakeholder communities. In particular, EPSRC has a Strategic Advisory Network (SAN), comprising a cohort of academics, users and others, used in a flexible way to provide advice on emerging strategies, policies. The Executive draws on that advice to make recommendations to Council. A recent independent review of the SAN has endorsed the structure, while identifying a number of enhancements, which Council will implement, subject to the availability of resources.

The Council holds regular sessions without the Executive present so that it can, in an uninhibited manner, discuss its role, operation and the relationship with the Executive. This provides Council with a regular opportunity to reflect on its effectiveness as a governing body. The Chair of Council routinely seeks informal feedback from members on the operation of Council and its business.

During 2013, the Council has initiated its own independent Effectiveness Review which will assess its composition, knowledge and operation, and the relationship with the Executive. This will include benchmarking against comparator organisations, nationally and internationally. The review will report to Council by the end of 2013.

As one means of ensuring the effectiveness of Council, members of the PO senior management team (SMT) are designated as formal contact points for each member of Council. The SMT members pro-actively brief Council members. These relationships ensure that members have effective knowledge and awareness, in a timely manner, of all Council business, and are equipped to make robust strategic decisions.

EPSRC's commitment to continuous improvement in all aspects of its operation is reflected in its engagement with Council members. In addition to the examples given

above, Council has, during the last twelve months, initiated use of electronic meeting papers, providing long-term cost savings and instituting a greater measure of operational efficiency for members in their ability to more easily access information, using modern tools.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

Improvement action is already under way to identify ways to enhance the representation of women on RC governing boards. A cross-RC project has been initiated, with BIS support. The implementation of recommended actions arising will be subject to the availability of resources, and/or proportionality.

Action planned: Any recommendations of the independent Effectiveness Review of Council will be implemented where appropriate, and subject to the availability of resources.

## ***ROLE OF THE CHAIR***

*The Chair is responsible for leadership of the board and for ensuring its overall effectiveness*

<b>Detail of Requirement</b>	<b>Assessment</b>
<p>1. The Board should be led by a non-executive Chair, whose duties, roles and responsibilities, terms of office and remuneration should be set out clearly and formally defined in writing. Terms and conditions must be in line with CO guidance and any statutory requirement.</p> <p>2. There should be a formal, rigorous and transparent process for the appointment of the Chair, which is compliant with the Code of Practice issued by OCPA. The Chair should have a role in the appointment of non executives.</p> <p>3. the responsibilities of the Chair can include:</p>	<p>Comply</p> <p>Comply</p>

<ul style="list-style-type: none"> <li>○ representing the PO in discussions with the Secretary of State</li> <li>○ advising the Sponsor Group/the Secretary of State about board appointments and performance of non-executive members</li> <li>○ Ensuring non executives understand their responsibilities; are trained appropriately and undergo annual assessments.</li> <li>○ Ensure the board takes account of guidance provided by the Secretary of State; carries out its business efficiently and effectively, has its views represented to the public.</li> <li>○ Develop effective working relationships with the CEO (role of Chair and CEO must be held by different individuals.)</li> <li>○ subject to an annual appraisal by the Permanent Secretary or relevant Director General</li> <li>○ Appraises other board members ensuring they are performing to standard, following disciplinary procedures if necessary and ensuring they are committing the appropriate time to the work.</li> </ul>	Explain
Overall assessment of the role of the Chair	<b>Green</b>

### Evidence of compliance or explanation for non-compliance

#### 1 Compliance

The Council has an independent, non-executive chair who is appointed by BIS: Dr Paul Golby, whose biography can be found on the website.

<http://www.epsrc.ac.uk/about/governance/council/Pages/membership.aspx#golby>

Dr Golby holds a number of non-Executive positions.

The role of the chair is laid out in the Code of Practice for Council Members.

<http://www.epsrc.ac.uk/about/governance/council/Pages/codeofpractice.aspx>

#### 2 Compliance

An independent public appointments assessor sits on the interview/selection panel for the chair.

### 3 Explain

The responsibilities of the chair are laid out in the current code of practice, which is available in the public domain:

<http://www.epsrc.ac.uk/about/governance/council/Pages/codeofpractice.aspx>

The main roles of Chair are provided within the above document, and can be summarised as below:

#### **Role of the Chair**

The Chair of the Council is the normal channel of communication between the Council and the Secretary of State. The main point of contact between the EPSRC and the sponsor department on day-to-day matters will normally be the Chief Executive or members of staff duly authorised to act on behalf of the EPSRC.

The Chair should ensure that all new members of the Council are properly briefed on the terms of their appointment, and on their duties and responsibilities. They should also be given a copy of this Code and other key background material such as Council's Management Statement and Financial Memorandum, the latest Corporate Plan, Annual Report and Accounts, "The responsibilities of an NDPB Accounting Officer", the Treasury's Handbook on Regularity and Propriety (reproduced at Appendix 3), and notes describing the EPSRC's organisational structure, its Royal Charter, the statutory basis of its operation and the rules and procedures of the Council. The Chair should discuss with each Council member whether they would find it helpful to attend an induction course on the duties of Council members of public bodies or some other suitable form of induction programme, as appropriate.

The Chair, with the assistance of the Chief Executive, has particular responsibility for providing effective strategic leadership on matters such as:

- formulation of the Council's strategy for discharging its mission as set out in the Royal Charter;
- effective execution, through the Chief Executive, of Council's decisions;
- ensuring that the Council, in reaching decisions, takes proper account of guidance provided by the responsible Minister or sponsor department;
- encouragement of high standards of propriety, and the promotion of efficient and effective use of staff and other resources throughout the organisation; and
- representation of the views of the Council to the general public.

The Chair will, on request, provide an assessment of performance in the event of Council members being considered for reappointment, to the Council, or appointment to some other public body.

The Chair should ensure that the Council meets at regular intervals throughout the year; and that minutes of meetings accurately record decisions taken and, where

appropriate, the views of individual Council members.

In response to a request from BIS, The Management Statement, Financial Memorandum and Code of Practice for Council Members have been reviewed and updated, and await final sign-off.

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

The Chair regularly attends meetings of the Executive Senior Management Team to co-develop business planning and strategic thinking for the organisation.

The Chair takes an active lead in ensuring that Council is operating effectively by, for example, seeking feedback from members on meeting effectiveness. The Chair has also commissioned an independent review of Council's effectiveness.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

***ROLE OF THE CHIEF EXECUTIVE OFFICER (CEO)***

*The CEO is responsible for leadership of the PO and for ensuring its overall effectiveness*

Detail of Requirement	Assessment
<p>1. The PO should be led by a CEO, whose duties, roles and responsibilities, terms of office and remuneration should be set out clearly and formally defined in writing. Terms and conditions must be in line with CO guidance and any statutory requirement</p> <p>2. There should be a formal, rigorous and transparent process for the appointment of the CEO.</p>	<p>Comply</p> <p>Comply</p>

<p>3. the responsibilities of the CEO can include the responsibilities of the Accounting Officer, the Consolidation Officer and Principal Officer for Ombudsman which involve:</p> <ul style="list-style-type: none"> <li>○ Overall responsibility for the PO’s performance, accounting for any disbursements of grant to the PO.</li> <li>○ Establish the PO’s corporate and business plans and departmental targets.</li> <li>○ Inform the Ministry of Justice of any complaints about the PO accepted by the Ombudsman for investigation if applicable.</li> <li>○ management of senior staff within the PO ensuring they are meeting objectives and following disciplinary procedures if necessary</li> <li>○ Maintains accounting records that provide the necessary information for the consolidation if applicable.</li> <li>○ (Details of accounting officer covered under 10: Effective Financial Management.)</li> </ul>	<p>Comply</p>
<p>Overall assessment of the role of the CEO</p>	<p><b>Green</b></p>

<p><b>Evidence of compliance or explanation for non-compliance</b></p>
<p>1 Compliant</p> <p>The Council’s CEO role and responsibilities are described in the letter of appointment and are also included in the code of conduct, which is in the public domain:<a href="http://www.epsrc.ac.uk/about/governance/council/Pages/codeofpractice.aspx">http://www.epsrc.ac.uk/about/governance/council/Pages/codeofpractice.aspx</a></p>
<p>2 Compliant</p> <p>The Department operates a fair and open process for the appointment of a CEO which essentially follows the same procedure as an OCPA regulated recruitment. Although there is no OCPA public appointments assessor involved there is always an independent panel member. For CEOs the appointment panel is chaired by the Director-General Knowledge and Innovation and includes the Director Research Base, the Chair of the Research Council and an independent panel member.</p>



**3 Compliant**

The CEO has responsibilities as Accounting Officer, Principal Officer for Ombudsman cases and Consolidation Officer, laid out in the letter of appointment and the Council Code of Practice which is in the public domain:

<http://www.epsrc.ac.uk/about/governance/council/Pages/codeofpractice.aspx>

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

The EPSRC CEO leads the organisation, as typified by regular update talks to staff. Debriefs from Executive Senior Management Team meetings are provided to all staff weekly, so that staff are fully informed of key business and direction.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

## ***ROLE OF THE NON-EXECUTIVE BOARD MEMBERS***

*As part of their role, non-executive board members provide independent and constructive challenge*

Detail of Requirement	Assessment
<p>Non-executive members should:</p> <ol style="list-style-type: none"> <li>1. Form the majority of the board.</li> <li>2. Be appointed under a formal, rigorous and transparent process compliant with the code of practice issued by OCPA.</li> <li>3. Have their duties, roles and responsibilities, terms of office and remuneration set out clearly and formally defined in writing. Their terms and conditions must be in line with CO guidance and any statutory requirement.</li> </ol>	<p>Comply</p> <p>Comply</p> <p>Comply</p>

4. be independent of management.	Comply
5. Allocate sufficient time to the board with details of their attendance published.	Comply
6. Undergo proper induction, and appraisals.	Comply
7. their responsibilities include: <ul style="list-style-type: none"> <li>○ Establishing strategic direction of the PO and oversee development and implementation of strategies, plans, priorities and performance/financial targets.</li> <li>○ Ensuring the PO complies with statutory and administrative requirements on the use of public funds and operates within its statutory and delegated authority.</li> <li>○ That high standards of corporate governance are observed.</li> </ul>	Comply
Overall assessment of the role of non-executive directors	<b>Green</b>

### Evidence of compliance or explanation for non-compliance

#### 1 Compliance

Non-executive directors form the majority of the Councils Board (known as the Council). Membership is published:  
<http://www.epsrc.ac.uk/about/governance/council/Pages/membership.aspx#golby>

#### 2 Compliance

Council members are appointed by the Minister for Universities and Science.

#### 3 Compliance

Council members' role and responsibilities, term of office, remuneration and other terms and conditions are set out in the letter offering appointment, including the accompanying Code of Practice for Council Members.

#### 4 Compliance

Council members are independent of any management structures and appointed independent of the management, by the Minister for Universities and Science.

## 5 Compliant

Council member attendance is published within the governance statement in the annual report, which is in the public domain:

<http://www.epsrc.ac.uk/newsevents/pubs/corporate/annualreport/Pages/reportaccounts.aspx>

Individual Council members are also engaged with EPSRC business more widely, outside of meetings. This may include participation in the development of strategic thinking and policies, the development of policy implementation, or attendance at public events on behalf of the Council.

## 6 Compliant

Council members have induction days where new Council members have their roles and responsibilities explained including the requirements to comply with codes of conduct and expenses policies. Council members are also provided with the Code of Practice for Council Members, and are briefed on its key features during the induction process.

Council members have at least two individual appraisals during their term of appointment, conducted by the CEO and Chair. The first appraisal typically falls one year into the member's term of appointment, enabling them to reflect on their experiences so far, whilst the second typically falls at or near the expiry of their term, allowing the opportunity for maximum exchange regarding the member's experiences on the Council.

## 7 Compliant

The Code of Conduct for Council members outlines the responsibilities which include:

### **Corporate Responsibilities of Council Members**

Members of Council have corporate responsibility for ensuring that the EPSRC complies with any statutory or administrative requirements for the use of public funds. Other important responsibilities of individual Council members include:

- establishing the overall strategic direction of the organisation within the policy and resources framework agreed with the responsible Minister;
- overseeing the delivery of planned results by monitoring performance against agreed targets;
- ensuring that high standards of corporate governance are observed at all times;
- ensuring that, in reaching decisions, the Council has taken into account any guidance issued by the OST and the Treasury;
- ensuring that the Council operates within the limits of its statutory authority; within the limits of its delegated authority agreed with the OST; and in accordance with any other conditions relating to the use of public funds;
- implementing the Code of Practice on Access to Government Information, including prompt response to public requests for information;

- ensuring that the Council operates sound environmental policies and practices in accordance with the approach set out in the 1990 White Paper "This Common Inheritance" (Cm 1200) and other relevant guidance; and ensuring that there are programmes to promote and develop equal opportunities.

In response to a request from BIS, The Management Statement, Financial Memorandum and Code of Practice for Council Members have been reviewed and updated, and await final sign-off.

### **Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

Council members commit to 25 days per annum on EPSRC business. The level of engagement of individual Council members in EPSRC business outside of formal meetings of the Council is a strength, in some cases exceeding the time commitment. For example, all strategic advice work-streams include participation by a member of Council, with the benefit both of ensuring more effective Council contribution to the development of strategy and of enhancing the members' level of knowledge and understanding. This enables them to more effectively provide constructive challenge to the Executive.

The programme of appraisals of Council members has been enhanced through use of a more comprehensive questionnaire framework. This ensures that the appraisals are of even greater benefit both to the individual members and to the Chair and CEO.

Induction sessions for Council members are continuously appraised and improved on the basis of feedback from members. A bespoke training session on corporate and board governance has been commissioned for Council members.

### **Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

A recent review of the ways in which EPSRC obtains strategic advice has recommended an enhanced level of oversight from Council of advisory processes. We will respond to this with more formalised/regular reporting at Council meetings of the work programme of the Executive's strategic advisory activities. Individual Council members already participate in strategic advisory activities but Council will consider a recommendation that they should chair those activities.

Any recommendations arising from the independent review of Council's effectiveness will be considered for implementation, in partnership with the Chair, CEO and Council members, and subject to the availability of resources.

## **EFFECTIVE FINANCIAL MANAGEMENT**

*The PO has taken appropriate steps to ensure that effective systems of financial management and internal controls are in place*

Detail of Requirement	Assessment
1. publish on time an objective, balanced and understandable annual report which complies with Treasury guidance, and includes an Annual Governance Statement;	Comply
2. comply with NAO requirements relating to the production and certification of their annual accounts;	Comply
3. have effective systems of risk management as part of their systems of internal control;	Comply
4. ensure an effective internal audit function is established which operates to Government Internal Audit Standards in accordance with CO guidance;	Comply
5. have appropriate financial delegations in place understood by all relevant staff and stakeholders. effective systems must be in place to ensure compliance with these delegations and the systems are regularly reviewed;	Comply
6. have anti-fraud and anti-corruption measures in place, and clear published rules governing claiming of expenses, with systems in place to ensure compliance. Information on expenses claimed by board members and senior staff should be published;	Comply
7. establish an audit (or audit and risk) committee with responsibility for independent review of the systems of internal control and external audit process;	Comply
8. take steps to ensure objective and professional relationship is maintained with external auditors.	Comply

9. Comply with BIS guidance with regard to any department restrictions on spending.	Comply
10. report to Corporate Finance with management accounts and Grant In Aid authorities	Comply
Overall assessment of effective financial management	<b>Green</b>

<b>Evidence of compliance or explanation for non-compliance</b>
<p>1. Compliant</p> <p>The Annual Report and NAO approved accounts are published on the website: <a href="http://www.epsrc.ac.uk/newsevents/pubs/corporate/annualreport/Pages/reportaccounts.aspx">http://www.epsrc.ac.uk/newsevents/pubs/corporate/annualreport/Pages/reportaccounts.aspx</a></p> <p>This contains the Governance Statement by the CEO (AO).</p>
<p>2. Compliant</p> <p>The annual accounts have been certified by the National Audit Office without qualification.</p>
<p>3. Compliant</p> <p>The Council risk register is reviewed at each meeting of the Council's Audit Committee (meetings are held 4-5 times per year). The Council is provided with updates on the red risks at each of its meetings, and the full Corporate Risk Register is made available on the Corporate Portal. The Corporate Risk Register is also sent to BIS as part of its bilaterals with EPSRC.</p> <p>Internal audits are regularly conducted on aspects of EPSRC risk. The last audit was in 2011-12 and gave substantial assurance.</p>
<p>4. Compliant</p> <p>The Council uses the Research Council Audit and Assurance Services Group which operates to Government Internal Audit Standards.</p>

A regular programme of audits exists which are approved by the Council's Audit Committee which covers the risk management and the aspects of Council operation identified in the risk logs. The Audit Committee reports on its operation and membership and meeting schedule are in the public domain:  
<http://www.epsrc.ac.uk/about/governance/rac/Pages/committee.aspx>

#### 5 Compliant

A financial delegations document exists for the Council and is available to staff. These financial delegations are translated to the relevant IT systems, managed by the Shared Business Service, which apply controls based on the delegated authorities.

EPSRC review delegations with the budget holders to see if they are still appropriate twice a year. Any staff changes e.g. leavers get updated immediately. Any BIS amendments to EPSRC's overall delegations are also incorporated into the delegations systems.

#### 6 Compliant

The Council has both anti-fraud policies and expenses policies. Expenses policies for staff are published in the relevant staff code. Expenses policies for Council members are published on the website:

<http://www.epsrc.ac.uk/about/standards/Pages/travel.aspx>

The policies and procedures are subject to internal audit, the last audit was conducted in 2011-12 and gave substantial assurance.

The Council's staff all fall under the level normal used for reporting expenses.

EPSRC does not publish expenses separately. Though it can be found amidst the transparency data which is published monthly (EPSRC publish every financial transaction monthly for the government transparency requirement).

EPSRC has a Fraud Policy and a Travel, Subsistence, Hospitality and Expenses Policy. EPSRC is implementing a Fraud and Bribery Act e-learning course which will be mandatory for all staff. EPSRC completed the Managing the Risk of Financial Loss report in 2012.

The Travel, Subsistence, Hospitality and Expenses policy applies to all EPSRC-employees, Council and Board Members and other non-employees travelling on EPSRC business.

The total expenditure on travel, subsistence and hospitality is provided in the Annual Report and Accounts.

#### 7 Compliant

The Council has an Audit Committee which has external membership, details can be

<p>found on the website:  <a href="http://www.epsrc.ac.uk/about/governance/rac/Pages/membership.aspx">http://www.epsrc.ac.uk/about/governance/rac/Pages/membership.aspx</a></p>
<p>8 Compliant</p> <p>There are regular and constructive discussions with the NAO. NAO representatives attend Audit Committee meetings.</p>
<p>9 Compliant</p> <p>The Council complies with the BIS guidance in relation to spending controls including those introduced by the Cabinet Office in areas such as consultancy and marketing. This is regularly discussed with the BIS-Research Base team</p>
<p>10 Compliant</p> <p>The Council has regular contact with the BIS Corporate and Research Base Finance teams and complies with the requirements for the submission of regular management accounts.</p>

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

In 2012-13, NAO made no changes to the EPSRC annual accounts.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

EPSRC takes a learning and development approach to the annual accounts process. Each year, we review process to identify learning and improvement points, and implement these as appropriate.



## COMMUNICATION AND ENGAGEMENT

*The Public Body is open, transparent, accountable and responsive*

Detail of Requirement	Assessment
<p>The PO should:</p> <ol style="list-style-type: none"> <li>1. establish clear and effective channels of communication with stakeholders;</li> <li>2. make an explicit commitment to openness in all activities. Engage and consult with public on issues of public interest or concern and publish details of senior staff and board members with contact details;</li> <li>3. hold open board meetings or an annual open meeting;</li> <li>4. proactively publish agendas, minutes of board meetings and performance data;</li> <li>5. establish and publish effective correspondence handling and complaint procedures, and make it simple for members of the public to contact them/make complaints. Complaints should be investigated thoroughly and be subject to investigation by the Parliamentary Ombudsman. Performance in handling correspondence should be monitored and reported on;</li> <li>6. comply with any Government restrictions on publicity and advertising, with appropriate rules in place to limit use of marketing and PR consultants. Have robust and effective systems in place to ensure the PO is not engaged in political lobbying, includes restriction on board members attending Party Conferences in a professional capacity.</li> <li>7. engage the Sponsor Group appropriately especially in instances where events may have reputational implications on the department.</li> </ol>	<p>Comply</p> <p>Comply</p> <p>Explain</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p>

Overall assessment of communications	<b>Green</b>
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### Evidence of compliance or explanation for non-compliance

#### 1 Compliant

Public engagement and effective communication are part of the Councils Mission. The council has a communication strategy. In addition some aspects of the Councils communications are coordinated at RCUK level.

The EPSRC communications team manage a number of partnerships with external organisations to maximise the reach of the EPSRC's communications to key stakeholders including academia, business and the public. For example, EPSRC are regular partners of the Cheltenham Science Festival:

<http://www.epsrc.ac.uk/newsevents/events/2012/Pages/cheltenham2012.aspx> and EPSRC have recently partnered with the Royal Academy of Engineering on their Engineering for Growth campaign: <http://engineeringforgrowth.org.uk/partners/>

EPSRC have a number of dedicated channels to reach key audiences. For example, Connect is an online magazine aimed at the academic community which reaches an readership of c15,000:

<http://www.epsrc.ac.uk/newsevents/pubs/mags/connect/2013/Pages/2013.aspx> and Pioneer is a print and online magazine aimed at the user community which reaches an audience of c5,000:

<http://www.epsrc.ac.uk/newsevents/pubs/mags/pioneer/Pages/pioneer.aspx>

The EPSRC website: [www.epsrc.ac.uk](http://www.epsrc.ac.uk) is a key communications channel for the academic community. EPSRC are active on Twitter: <https://twitter.com/epsrc> with a following of over 9,000.

EPSRC have an active press office generating a range of releases together with university, industry and government partners:

<http://www.epsrc.ac.uk/newsevents/news/Pages/news.aspx>

EPSRC have a number of strategic partnerships with universities:

<http://www.epsrc.ac.uk/about/partner/universities/Pages/university.aspx> and industry:

<http://www.epsrc.ac.uk/about/partner/Pages/strategic.aspx> and engage with these partners on a one-to-one basis as well as through annual meetings that bring all partners together.

## 2 Compliant

The Council has committed itself to openness in all its activities. EPSRC's website contains information targeted at a range of audiences.

<http://www.epsrc.ac.uk/Pages/default.aspx>

Information about senior staff and Council members is published on the website and in the annual report.

EPSRC has discussions with a range of stakeholders, including the general public about its forward strategies and activities.

EPSRC's 2013 call for Centres for Doctoral Training included engagement with the wider community on priority areas and invited input into this exercise. The outcomes from this engagement and next steps from the call were all published on the EPSRC website – the main communication channel for the academic community:

<http://www.epsrc.ac.uk/skills/students/centres/2013cdtexercise/Pages/2013.aspx>

EPSRC, in conjunction with other Councils, has managed a number of **public dialogues** on areas of public concern including Synthetic Biology:

<http://www.epsrc.ac.uk/research/ourportfolio/themes/engineering/activities/Pages/syntheticbiology.aspx>

EPSRC has undertaken to carry out two independent reviews. The first of these on Strategic Advisory Routes is complete .

<http://www.epsrc.ac.uk/newsevents/news/2013/Pages/independentreviewpublished.aspx>

## 3 Explain

EPSRC takes a predominantly targeted approach to its engagement with its stakeholder communities . Recognising that resources are finite and that 80% of its research investment is made through a distinct portion of the university community, EPSRC actively develops strategic relationships with its most important stakeholders, including in academia, business and learned societies. Given this, open events have not been their *primary* route for stakeholder engagement.

However, EPSRC does hold open events with its stakeholder community. These may be led by the Executive – for example, open, regional meetings where the emphasis is on reporting on, and receiving responses to, policy developments; or they may be led by Council. The latter are typically characterised as as 'open forum', providing an opportunity for a broad range of the community to meet and interact with Council members in a structured event. One such event is scheduled for October 2013, where the aims are to:

Open up Council members directly to its stakeholders;

Facilitate two-way dialogue and engagement between that set of stakeholders and

Council;

Increase the profile and accessibility of Council.

The plenary elements of the event will be live-streamed over the internet.

Council will regularly reflect on the value and nature of such meetings to ensure that it is sufficiently accessible and open to its stakeholders.

EPSRC also hold Regional Meetings:

<http://www.epsrc.ac.uk/newsevents/news/2012/Pages/regionalmeetings.aspx> to present and discuss policy and have live streamed/videoed events where the CEO and/or Chair are speaking, inviting questions in advance from non-attendees and ensuring a wider audience can be involved:

<http://www.epsrc.ac.uk/newsevents/multimedia/2013/Pages/satconferencewelcome.aspx>

4 Compliant

The Agendas, and minutes of the council meetings are published:

<http://www.epsrc.ac.uk/about/governance/council/meetings/Pages/meetings.aspx>

In addition the Council publish a range of additional documents including delivery plans, strategic plans and annual reports:

<http://www.epsrc.ac.uk/newsevents/pubs/corporate/deliverystrategic/Pages/plans.aspx>

EPSRC produces data and commentary aligned to the Government's reporting framework and demonstrates how the research and training that it supports contributes to the overall economic impact for the UK.

<http://www.epsrc.ac.uk/newsevents/pubs/corporate/reporting/Pages/framework.aspxe>

The EPSRC website also provides key facts and figures on EPSRC investments.

5 Compliant

The Council has a formal complaints procedure including designated complaints officers who handle the requests; these procedures are outlined on the website:

<http://www.epsrc.ac.uk/about/standards/Pages/service.aspx>

6 Compliant

The Council has complied with central government spending control requirements on publicity and advertising. It avoids engagement in political lobbying and has regularly informed its council members and staff on the restrictions on participation in Party Conferences.

**7 Compliant**

The Council engages closely with its sponsorship team in the BIS Research Base and the BIS communication specialists on communications matters particularly where there are potential reputational issues. Examples of engagement include:

6-monthly performance review between the EPSRC senior team and BIS RB senior managers

Regular meetings at many levels (CE, directors, senior managers)

Hot-desking sessions at BIS by EPSRC director

Fortnightly updates between the BIS lead contact and the CEO secretariat and communications representatives.

BIS attendance at all formal meetings of EPSRC Council

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

EPSRC's commitment to openness is manifest in its willingness to engage openly with its stakeholders through, for example, regular regional meetings, and, where appropriate, consultations on strategic direction. The Open Council Forum scheduled for October 2013 is another notable example of this.

Similarly, EPSRC's recent commissioning of two independent reviews of elements of our core business (strategic advice routes, and peer review) exemplifies our commitment to both openness and continuous improvement.

With a strong commitment to risk management, the EPSRC routinely informs its sponsor group of forthcoming developments which may have a public relations/reputational effect for both the EPSRC itself and/or for the department.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

A recent independent review of the ways in which EPSRC obtains strategic advice highlighted further opportunities for greater transparency, including the ways in which the outcomes of advisory processes are fed back to our stakeholders. EPSRC will look to adopt the recommendations of the review, subject to the availability of resources.

## **CONDUCT AND PROPRIETY**

*The board and staff of the PO work to the highest personal and professional standards. They promote the values of the PO and of good governance through their conduct and behaviour*

Detail of Requirement	Assessment
1. a Code of Conduct must be in place setting out the standards of personal and professional behaviour and propriety expected of all board members which follows the CO Code and form part of the terms and conditions of appointment;	Comply
2. the PO has adopted a Code of Conduct for staff based on the CO model Code and form part of the terms and conditions of employment;	Comply
3. there are clear rules and procedures in place for managing conflicts of interest. There is a publicly available Register of Interests for board members and senior staff which is regularly updated;	Comply
4. there are clear rules and guidelines in place on political activity for board members and staff with effective systems in place to ensure compliance with any restrictions;	Comply
5. there are rules in place for board members and senior staff on the acceptance of appointments or employment after resignation or retirement which are effectively enforced;	Explain
6. Board members and senior staff should show leadership by conducting themselves in accordance with the highest standards of personal and professional behaviour and in line with the principles set out in respective Codes of Conduct.	Comply
Overall assessment of conduct and propriety	<b>Green</b>

## Evidence of compliance or explanation for non-compliance

### 1 Compliant

The Code of Practice for Council Members is available in the public domain:

<http://www.epsrc.ac.uk/about/governance/council/Pages/codeofpractice.aspx>

This includes the expectation that members will adhere to the ‘Seven Principles of Public Life’ (formerly the “Nolan” principles).

### 2 Compliant

The EPSRC has a staff code of conduct

### 3 Compliant

Guidance on conflicts of interest for Council Members is provided in the Code of Practice issued with the letter offering appointment. Council members declared interests are published on the public data section of the website:

<http://www.epsrc.ac.uk/about/governance/council/Pages/conflicts.aspx>

Information regarding senior staff is available in the Annual Accounts.

<http://www.epsrc.ac.uk/newsevents/pubs/corporate/annualreport/Pages/reportaccounts.aspx>

### 4 Compliant

The council members’ Code of Practice, which accompanies the letters offering appointment to the Council, provides guidelines on political activity. Council members are reminded of appropriate guidance whenever this is issued by Cabinet Office, including, for example, attendance and/or participation at party conferences.

For Council staff the staff code includes the statement on Public Sector Values and Behaviours - which covers the issue of political impartiality.

### 5 Explain

Framework documents currently contain no terms covering acceptance of employment etc after resignation or retirement. There are no express provisions for staff.

6 Compliant

The Council members Code of Practice, which accompanies the letters offering appointment to the Council, makes it clear that individual Board members should be aware of their conduct and wider responsibilities as members of the Board and that they should follow the ‘Seven Principles of Public Life’.

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

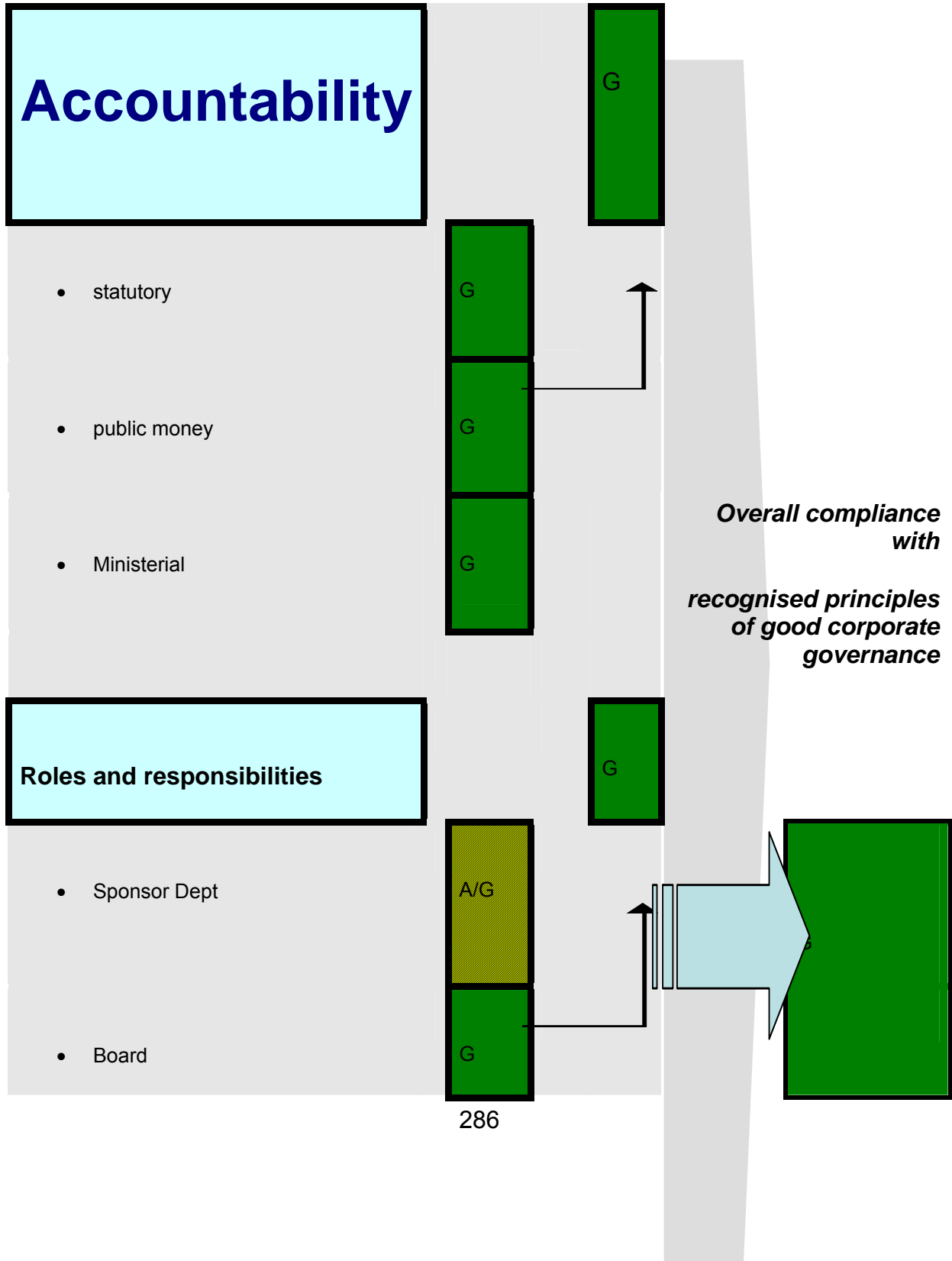
EPSRC ensures that Council members are asked to declare interests at every meeting of the governing body, as well as routinely updating every year members’ declared interests.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**



# Annex K: Detailed assessment - MRC

## SUMMARY ASSESSMENT



<ul style="list-style-type: none"><li>• Chair</li></ul>	G		
<ul style="list-style-type: none"><li>• CEO</li></ul>	G		
<ul style="list-style-type: none"><li>• NEDS</li></ul>	G		
<b>Effective financial management</b>		G	
<b>Communication</b>		G	
<b>Conduct and behaviour</b>		G	

## STATUTORY ACCOUNTABILITY

*Does the public body comply with all applicable statutes and regulations and other relevant good practice?*

Detail of Requirement	Assessment
<p>The PO:</p> <ol style="list-style-type: none"> <li>1. complies with all statutory and administrative requirements on the use of public funds (inc HMT Managing Public Money, and CO/HMT spending controls);</li> <li>2. operates within the limits of its statutory authority and in accordance with delegated authorities agreed with BIS;</li> <li>3. operates in line with statutory requirements for the Freedom of Information Act;</li> <li>4. has a comprehensive publication scheme;</li> <li>5. proactively releases information that is of legitimate public interest;</li> <li>6. Produces annual reports and accounts which are laid before Parliament</li> <li>7. complies with data protection legislation;</li> <li>8. complies with Public Records Acts 1958 and 1967.</li> </ol>	<p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Explain</p> <p>Comply</p>

Overall assessment of statutory accountability	<b>Green</b>
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<b>Evidence of compliance or explanation for non-compliance</b>
<p><b>1 Compliant</b></p> <p>The NAO audited accounts are available on the website at <a href="http://www.mrc.ac.uk/Utilities/Documentrecord/index.htm?d=MRC009224">http://www.mrc.ac.uk/Utilities/Documentrecord/index.htm?d=MRC009224</a>. The NAO certified the accounts for 2012/13 with an “Unqualified” audit opinion, without modification.</p> <p>The Governance statement provided by the MRC CEO to NAO as part of the 2012/13 Annual Report and accounts recorded compliance with the principles of good governance and control.</p> <p>A report on overall financial management of MRC was prepared by Deloitte in 2012. The review found the financial management capability of MRC to be either advanced or leading practice in all areas of the finance wheel that were covered in this report.</p> <p>The NAO report on the review of accounts and the Deloitte report have been discussed at the MRC Council audit committee.</p> <p>Accounting procedures are also audited by AASG, including continuous end to end processes on behalf of the Research Councils and UKSBS Ltd and financial management within MRC research units and institutes. Recent AASG audits include Purchase to Pay (2012/13), External Income (2012/13) and Financial Planning (2011/10).</p>
<p><b>2 Compliant</b></p> <p>The Research Councils delegated authorities are laid out in a letter of delegation, which is evergreen, i.e. operates until superseded.</p> <p>Compliance with this is demonstrated through the published annual accounts. The MRC has a detailed Delegate Authority Policy and Scheme of Delegation which is reviewed annually.</p>

### 3 Compliant

The MRC operates within the requirements of the Freedom of Information Act (FOIA).

The MRC's publication scheme sets out the nature of information routinely published by the MRC, how information that is not routinely published can be accessed and provides guidance on how to submit FOIA requests. Information on the MRC's approach to FOIA and links to the Publication Scheme can be found on the website at <http://www.mrc.ac.uk/About/Informationandstandards/Fol/index.htm>.

In 2012/13 the MRC received 55 FOIA requests; 95% of these requests were responded to within the statutory time period. Statistics on the numbers of requests for previous years are available on the MRC website.

The MRC provides FOIA guidance to staff; this guidance was reviewed and reissued in 2012/13. New guidance relating to FOIA requests relating to procurement supported by UKSBS is being prepared and will be issued in 2013/14.

A cross-Research Council Freedom of Information Audit in 2011-12 (Ref. CCA02-1112) gave a Substantial Assurance rating.

### 4 Compliant

One of the RCs' three Royal Charter objectives is to disseminate knowledge. This is accomplished in part by each Council's communication strategy. This is in addition to compliance with FOIA (see Q3 above).

As part of its communication strategy, the MRC publishes a range of documents on the council website including:

- annual reports and accounts
- delivery plans
- annual reviews
- strategic plans
- economic impact reports

(see <http://www.mrc.ac.uk/Newspublications/Publications/index.htm>)

The MRC's publication scheme is updated annually and published on the web site at <http://www.mrc.ac.uk/Utilities/Documentrecord/index.htm?d=MRC005787>.

### 5 Compliant

Key publications such as the strategic plan, delivery plan, annual report and news

items relating to the MRC are routinely published on its website at <http://www.mrc.ac.uk/Newspublications/index.htm>.

Detailed information on MRC-funded research can be found of the RCUK Gateway to Research (GTR), which includes links to the publications resulting from the research. GTR is available at <http://gtr.rcuk.ac.uk/>

Detailed information on senior staff structures and pay, spending on invoices over £25k and transactions on Government Procurement Cards over £500 can be found on the website at <http://www.mrc.ac.uk/About/Transparency/index.htm>. The data published here is also accessible on [www.data.gov.uk](http://www.data.gov.uk).

Data are presented for the MRC's research units and institutes, head office, regional administrative centres and research facilities and we are currently working on processes to publish data on spend on invoices over £500.

Guidance on how to request information not currently published can be found in the Publication Scheme at <http://www.mrc.ac.uk/Utilities/Documentrecord/index.htm?d=MRC005787>.

#### 6 Compliant

Councils produce publicly available annual reports and accounts; these are also laid before parliament: <http://www.mrc.ac.uk/Utilities/Documentrecord/index.htm?d=MRC009224>

#### 7 Explain

The MRC is registered with the ICO as a Data Controller; the registration, available at <http://www.ico.org.uk/ESDWebPages/DoSearch?reg=242403>, covers the MRC's research units and institutes, head office, regional administrative centres and research facilities.

The Code of Conduct requires staff to be aware of the MRC Data Protection and Security Policy and the MRC Information Security Policy and each unit has a designated Data Protection Lead. An e-learning tool for all MRC staff on data protection is currently being prepared.

The MRC has identified Data Protection issues relating to HR services provided by UK SBS Ltd that are not fully compliant with the Data Protection Act. This was confirmed in an audit of HR records commissioned by the MRC which gave only Limited Assurance. This audit report was mentioned in the Governance Statement and is reflected in the MRC risk register. The problems arose primarily from the transfer of records from the systems run by the former MRC Shared Services Centre (SAP based) to the systems run by the UKSBS (Oracle based). Remedial action is being taken and a follow up audit has been commissioned.

Conditions outlining how personal data provided by applicants for research funding and peer reviewers are handled are provided through the relevant application systems. The MRC website includes a section setting out how the MRC complies with the

requirements of the Data Protection Act (1998), including how individuals can obtain access to information held about themselves, at <http://www.mrc.ac.uk/About/Informationandstandards/Dataprotection/index.htm>. In 2012/13 the MRC received and responded to four Data Protection Subject Access Requests.

There is a cross-Research Council audit on data protection taking place which is due to report later in the year.

8 Compliant

The MRC complies with its obligations under the Public Records Act to keep files relating to its work. The MRC is registered as Public Body under the Act and records identified for permanent preservation are transferred to The National Archive (TNA) in line with its Record Management Policy and Retention Schedule.

In 2012/13 the MRC reviewed its Records Management Policy. The revised policy has been approved and is being rolled out across the organisation. A project to transfer records to TNA is underway and in 2012/13 the MRC advised the TNA on eight FOIA requests to access closed MRC files held by TNA.

### **Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

The Deloitte review highlighted the following areas of best practice and good processes:

- MRC has a comprehensive governance structure with its Council overseeing the decisions from the executive team and the funding decisions from the Research Boards and has a series of subcommittees reporting on key areas of MRC activity. Where necessary, there is senior finance input or attendance at each of the key areas of the Governance structure;
  - All MRC decision-making bodies and the Finance and Audit Committee receive Finance Reports at all of their meetings;
  - Strategic planning is carried out in the form of Quinquennial Reviews which are mandatory for all of MRC's institutes and units. This provides an indicative funding profile for the majority of MRC's intramural programme for up to five years.
  - MRC proactively seeks ways of identifying how projected underspends can be utilised in a timely manner;
  - MRC's Delivery Plan includes details of its anticipated commitment on programme and capital expenditure which links activities to budgets for the remainder of the spending review period;

- Cost controls throughout MRC are strong, ensuring all expenditure is appropriately approved and business cases are required to justify significant expenditure;
- Risk management processes are embedded throughout the organisation and are reported to Council and the Finance and Audit Committee at all of their meetings; and
- Capital projects are well controlled with no evidence of overspends or significant delay in the recent past.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

Work is underway with UKSBS to improve the Universal Content Management system in order to address the Data Protection compliance issues relating to HR records.

## **ACCOUNTABILITY FOR PUBLIC MONEY**

*The Accounting Officer of the PO is personally responsible and accountable to Parliament for the use of public money by the body and the stewardship of assets*

Detail of Requirement	Assessment
1. there is a formally designated Accounting Officer (AO) who in particular has a responsibility to provide evidence-based assurances required by the Principal Accounting Officer (PAO);	Comply
2. the role, responsibilities and accountability of the AO should be clearly defined and understood and the AO should have received appropriate training;	Comply
3. the PO should be compliant with requirements set out in Managing Public Money, relevant Dear Accounting Officer letters and other directions;	Comply





Statement. All finance audits cover internal controls to some extent. There was an audit of delegated authority in 2010/11, and an audit of Financial Management relating to external income in 2012/13.

#### 4 Compliant

The MRC CEO as the Accounting Officer has delegations laid down by BIS. These delegations are handled internal through internal Delegation of Authority Policy and scheme of delegation which is reviewed annually. The MRC has sought approval from BIS and HMT as necessary when decisions go beyond its delegated authority.

The MRC's internal controls and processes are documented and the robustness of these controls is checked regularly by internal audit as part of the annual audit programme. This has included a range of audits of controls and processes operated by the UK SBS Ltd on behalf of the MRC.

A report on overall financial management of MRC was prepared by Deloitte in 2012. The review found the financial management capability of MRC to be either advanced or leading practice in all areas of the finance wheel that were covered in this report.

The MRC provided a progress report on Managing the Risk of Financial Loss to BIS in May 2013; this was a follow up report to the original report in 2011.

The Comptroller and Auditor General, in reviewing the Annual Report and Accounts, is required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements confirm to the authorities which govern them.

#### 5 Compliant

The MRCs accounts are signed-off by the Comptroller and Auditor General and laid before parliament after certification by the NAO. The accounts can be found here: <http://www.mrc.ac.uk/Utilities/Documentrecord/index.htm?d=MRC009224>

### **Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

The MRC fully complies with the requirements in the Financial Memorandum and has appropriate internal controls in place.

### **Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

As described earlier, Research Councils have multiple arrangements in place to ensure the good use of public funds at the individual Research Council level.

In addition, Research Councils work together as Research Councils UK to ensure the good use of public funds at the collective level:

- In 2006 Research Councils established RCUK Shared Service Centre Ltd. to deliver efficiency savings through providing shared back-office functions to the seven Research Councils. In 2012 the company began delivering shared services to the wider BIS family of partner organisations as UK SBS Ltd.

Research Councils are keen to go further though, and are exploring with BIS:

- Changes to the governance of RCUK Executive Group to charge the group with responsibility for delivering collective efficiency savings and transformational change across Research Councils.
- A stronger role for the BIS DG Knowledge & Innovation to enable more agile decision making within RCUK Executive Group.
- The establishment of an RCUK Chairs forum as an advisory forum on issues of governance.

These changes build on Recommendations 8 and 9 from Stage 1 of the Triennial Review of the Research Councils.

## **MINISTERIAL ACCOUNTABILITY**

*The Secretary of State is ultimately accountable to Parliament and the public for the overall performance of the public body*

Detail of Requirement	Assessment
1. the Secretary of State and Sponsor should exercise appropriate scrutiny and oversight of the PO;	Comply
2. appointments to the board should be made in line with any statutory requirements and, where appropriate, with the <i>Code of Practice</i> issued by OCPA;	Comply

<p>3. the Secretary of State will normally appoint the Chair and all non-executive board members of the PO and be able to remove individuals whose performance or conduct is unsatisfactory;</p> <p>4. the Secretary of State should be consulted on the appointment of the Chief Executive and will normally approve the terms and conditions of employment;</p> <p>5. the Secretary of State should meet the Chair and/or Chief Executive on a regular basis;</p> <p>6. Parliament should be informed of the activities of the PO through publication of an annual report;</p> <p>7. a range of appropriate controls and safeguards should be in place to ensure that the Secretary of State is consulted on key issues and can be properly held to account (e.g. Business Plan, power to require information, a general or specific power of Ministerial direction over the PO, a power for the Secretary of State to be consulted on key financial decisions.)</p>	<p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p>
<p>Overall assessment of Ministerial Accountability</p>	<p><b>Green</b></p>

### Evidence of compliance or explanation for non-compliance

#### 1. Compliant

There are frequent Ministerial meetings with Chief Executives and Chairs on topical issues as they arise. In addition, the Minister for Universities and Science has regular (bi-monthly) meetings with the seven Chief Executives as well as regular one-to-one meetings with the Chair of Research Councils UK, and for each of the Research Councils has attended Council meetings by invitation.

Following accountability meetings with the BIS Sponsor Director and team, the Minister for Universities and Science also receives regular twice yearly updates on the performance of the Research Councils and upcoming issues and risks:

BIS Ministers are frequently involved in announcements about new Research Council developments and initiatives and there is regular and frequent communications between the Research Council and BIS comms teams.

## 2. Compliant

As an upper tier body, appointments to Council are required to be made in accordance with the OCPA Code of Practice. For the recruitment of Research Council Chairs the OCPA code requires an OCPA Public Appointments Assessor to chair the appointment panel and certify the overall process met the OCPA code in a final written report. There is also an independent panel member. For Council members the OCPA code requires there to be an independent panel member. At the end of the recruitment the Department certifies that the recruitment was conducted in accordance with the Code. These certificates are available. The recruitment of Chief Executives is not covered by the OCPA Code but in the spirit of fair and open recruitment the Department uses a process analogous to the OCPA Code.

## 3 Compliant

The Secretary of State is responsible for appointing the Chair, Chief Executive and Council members. The sponsorship team is responsible for the management of appointments and submission of names to Ministers.

Appointment letters note that Board Members may be removed from office by the Secretary of State on grounds of incapacity or misbehaviour or a failure to observe the terms and conditions of the appointment. Appointment letters are available.

## 4 Compliant

The Secretary of State is responsible for the recruitment of and makes the final decision on who is appointed as Chief Executive. Terms and conditions for Chief Executives consist of an appointment letter from the Department supplemented by a further Service Contract issued by the Research Council.

## 5 Compliant

The Minister has regular (bi-monthly) meetings with the seven Chief Executives as well as regular one-to-one meetings with the Chair of Research Councils UK, and for each of the Research Councils has attended Council meetings by invitation. This is in

addition, to frequent *ad hoc* discussion with Chief Executives, Chairs and others within Research Councils, of topical issues as they arise.

6 Compliant

Annual report is published:

<http://www.mrc.ac.uk/Utilities/Documentrecord/index.htm?d=MRC009224>

7 Compliant

The Research Council's Management Statement and Financial Memorandum sets out provisions for the Secretary of State to be consulted on key decisions. In 2012/13 The Department and the Councils have been updating the language and terminology used in the documents and it is planned that revised versions will be available in September 2013.

Research Councils consult BIS Ministers on its key strategic documents, including its Delivery Plans. Decisions going beyond Research Councils' delegated financial authority are also submitted to BIS for endorsement and agreement.

BIS Ministers are frequently involved in announcements about new Research Council developments and initiatives and there are regular and frequent communications between the Research Council and BIS comms teams.

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

Very strong Ministerial engagement with the work of the Research Councils.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

No areas for improvement identified by MRC

## **ROLE OF THE SPONSORING GROUP**

*BIS ensures that there are robust governance arrangements with the board of each PO setting out the terms of their relationship, and how they will be put in place to promote high performance and safeguard propriety and regularity*

Detail of Requirement	Assessment
<p>1. The Group should scrutinise the performance of the PO. There should be appropriate systems and processes to ensure effective governance, risk management and internal control in the PO;</p> <p>2. There should be a Framework Document in place which sets out clearly the aims, objectives and functions of the PO and the respective roles and responsibilities of the Secretary of State, the Sponsoring Group and the PO. It should be regularly reviewed and updated and follow relevant CO and HMT guidance. The Framework document should include a Financial Memorandum as an appendix. A review of the Framework document should be carried out every three years and in line with the Triennial Review.</p> <p>3. A Sponsor should be identified and there should be regular and on going dialogue between the Sponsoring Group and the PO. Senior officials from the Sponsoring Group may as appropriate attend board and/or committee meetings.</p>	<p>Comply</p> <p>Explain</p> <p>Comply</p>
Overall assessment of the role of the Sponsoring Group	Amber/Green

## Evidence of compliance or explanation for non-compliance

### 1 Compliant

Overall performance and issues concerning governance and internal control in the Research Councils are reviewed as part of the formal six-monthly review meetings with the Chief Executive and senior team of each Research Council, and are as appropriate, also included in more frequent one-to-one meetings between BIS and the Chief Executive. In addition, the Research Councils provide BIS with quarterly performance and risk reports. Examples of quarterly reports and notes of accountability meetings are available.

In addition, BIS is represented with observer status at Council meetings.

### 2 Explain

A formal Management Statement sets out the roles and responsibilities of both the Research Council and the Department. A Financial Memorandum is also in place as a separate document governing the financial relationship between the Research Council and the Department. Copies are available.

In 2012/13 The Department and the Councils have been updating the language and terminology used in the documents and it is planned that revised versions will be available in September 2013.

Changes may be required as a result of the outcome of the Triennial Review of the Research Councils.

### 3 Compliant

Regular and frequent dialogue takes place between the Sponsor Team and the Research Council, in addition to six-monthly review meetings and regular one-to-one meetings between BIS and the Chief Executive.

The Sponsor team has senior official representation as an observer at Council meetings with Jeremy Clayton (Director) / Graeme Reid (Deputy Director) attending as an observer.

In the BIS Finance-led Partner Organisation Assessment Exercise, relationships between the BIS sponsor and the partner organisation have been rated strongly. These assessments are available.



**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

Strong relationships between the Research Council and the sponsoring group, with frequent and regular dialogue.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

Management Statements are in need of updating.

## **ROLE OF THE BOARD**

*The PO is led by an effective board which has collective responsibility for its overall performance and success, and provides strategic leadership, direction, support and guidance. The board has an appropriate balance of skills, experience, independence and knowledge, with a clear division of roles and responsibilities between Executives and Non-Executives*

Detail of Requirement	Assessment
<p>The Board of the PO should:</p> <ol style="list-style-type: none"> <li>1. meet regularly, retain effective control over the PO, and monitor the SMT, holding the CEO accountable for the performance and management of the PO;</li> <li>2. be appropriate in size with membership from a diverse background;</li> <li>3. establish a framework of strategic control specifying what matters are reserved for the board and establish arrangements to ensure it has access to relevant information, advice and recourses to carry out its role effectively;</li> </ol>	<p>Comply</p> <p>Comply</p> <p>Comply</p>

4. establish formal procedural and financial regulations to govern the conduct of its business;	Comply
5. make a senior executive responsible for ensuring appropriate advice is given on financial matters, procedures are followed, and that all applicable statutes and regulations and other relevant statements of best practice are complied with;	Comply
6. establish a remuneration committee to make recommendations on the remuneration of top executives. Information on senior salaries should be published and rules for recruitment and management of staff provide for appointment and advancement on merit;	Comply
7. evaluated annually, including an evaluation of the chair and board members.	Explain
Overall assessment of role of the Executive Board	<b>Green</b>

### Evidence of compliance or explanation for non-compliance

#### 1 Compliant

The MRC Council meets five times per year (see <http://www.mrc.ac.uk/About/Structure/Council/Meetingdates/index.htm>). It receives regular reports from the CEO and scrutinises the work of the senior management team in delivering the agreed strategy. It holds both to account for the management of the Council's work.

#### 2 Compliant

The membership of the Council is in line with the requirements of the MRC's Royal Charter.

The size of the Board is larger than normal and reflects the diversity of experience and skills required for a Research Council Board as set out in the Council's Royal Charter. The Royal Charter also requires the Chief Executive to be Deputy Chair of the Board.

While BIS seeks to obtain as diverse a Board as possible, the prime factor in making appointments will always be the experience and expertise an individual will bring to the

<p>role.</p> <p>The membership of Council is published on the web site at <a href="http://www.mrc.ac.uk/About/Structure/Council/Membership/index.htm">http://www.mrc.ac.uk/About/Structure/Council/Membership/index.htm</a>. Past membership can be found in the annual reports which are also published on the web site (see <a href="http://www.mrc.ac.uk/Newspublications/Publications/AnnualReport/index.htm">http://www.mrc.ac.uk/Newspublications/Publications/AnnualReport/index.htm</a>)</p>
<p>3 Compliant</p> <p>The framework for all governance and control is contained within the Code of Practice for Council Members, the Management Statement and the Financial Memorandum. These documents have recently been reviewed, updated and harmonised between Research Councils. The new versions, which will come into effect on 1 January 2014, will be published on the MRC web site once the Triennial Review has concluded. Previous versions may be found on the MRC website.</p> <p><a href="http://www.mrc.ac.uk/Utilities/Documentrecord/index.htm?d=MRC003907">http://www.mrc.ac.uk/Utilities/Documentrecord/index.htm?d=MRC003907</a></p> <p><a href="http://www.mrc.ac.uk/Utilities/Documentrecord/index.htm?d=MRC003373">http://www.mrc.ac.uk/Utilities/Documentrecord/index.htm?d=MRC003373</a></p> <p><a href="http://www.mrc.ac.uk/Utilities/Documentrecord/index.htm?d=MRC003728">http://www.mrc.ac.uk/Utilities/Documentrecord/index.htm?d=MRC003728</a></p> <p>Further guidance for Council members is available in the Induction Pack.</p>
<p>4 Compliant</p> <p>see above</p>
<p>5 Compliant</p> <p>The Director of Finance has been nominated as the senior executive responsible for providing advice to the Board on financial matters. The Head of Risk Management and Assurance prepares the annual Governance Statement, with input from the Director of Finance, which is signed by the CEO and forms part of the Annual Report and Accounts. The Director of Finance is responsible for compliance with the treasury rules on managing public money.</p>
<p>6 Compliant</p> <p>MRC Council has a Remuneration Committee which reviews the remuneration of Head Office directors and the heads of MRC's Units and Institutes. Membership and Terms of Reference are published at <a href="http://www.mrc.ac.uk/About/Structure/Council/CouncilCommittees/index.htm#P82_2907">http://www.mrc.ac.uk/About/Structure/Council/CouncilCommittees/index.htm#P82_2907</a>. Pay above £100k per annum is approved by the BIS Senior Remuneration Oversight Committee in addition to the MRC Remuneration Committee. The Annual Report contains a remuneration report, which outlines the remuneration of the council members and senior Council staff, including any performance related bonuses.</p>

<http://www.mrc.ac.uk/Newspublications/Publications/AnnualReport/index.htm>

#### 7 Explain

Council members normally complete an annual self-assessment and have regular 1:1 meetings with the Chairman. There has been a short gap in this programme since the appointment of the new Chairman, but it is now starting again. There was an external evaluation of Council performance in 2011/12; a self-evaluation exercise is in progress and findings will be reported to Council in October 2013.

BIS do not currently assess the performance of the Chairman as part of any formal evaluation.

#### **Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

Strong Council with a good range of experience amongst the membership provides effective scrutiny of the work of the organisation and of the Senior Management Team.

#### **Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

The new chairman has been reviewing the process for evaluating Council performance and changes are being brought in during 2013.

Cross-council discussions are underway aimed at developing strategies for increasing the number of female applicants for Council membership.

## **ROLE OF THE CHAIR**

*The Chair is responsible for leadership of the board and for ensuring its overall effectiveness*

<b>Detail of Requirement</b>	<b>Assessment</b>
<p>1. The Board should be led by a non-executive Chair, whose duties, roles and responsibilities, terms of office and remuneration should be set out clearly and formally defined in writing. Terms and conditions must be in line with CO guidance and any statutory requirement.</p>	Comply
<p>2. There should be a formal, rigorous and transparent process for the appointment of the Chair, which is compliant with the Code of Practice issued by OCPA. The Chair should have a role in the appointment of non executives.</p>	Comply
<p>3. the responsibilities of the Chair can include:</p> <ul style="list-style-type: none"> <li>○ representing the PO in discussions with the Secretary of State</li> <li>○ advising the Sponsor Group/the Secretary of State about board appointments and performance of non-executive members</li> <li>○ Ensuring non executives understand their responsibilities; are trained appropriately and undergo annual assessments.</li> <li>○ Ensure the board takes account of guidance provided by the Secretary of State; carries out its business efficiently and effectively, has its views represented to the public.</li> <li>○ Develop effective working relationships with the CEO (role of Chair and CEO must be held by different individuals.)</li> <li>○ subject to an annual appraisal by the Permanent Secretary or relevant Director General</li> <li>○ Appraises other board members ensuring they are performing to standard, following disciplinary procedures if necessary and ensuring they are committing the appropriate time to the work.</li> </ul>	Explain

Overall assessment of the role of the Chair	<b>Green</b>
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Evidence of compliance or explanation for non-compliance
<p>1 Compliance</p> <p>The Council has a non-executive chair, Donald Brydon CBE. He is also Chairman of the Royal Mail Group, Smiths Group plc and Sage Group plc. He was appointed by BIS and his terms of office and remuneration were set out in the formal appointment letter. The roles and responsibilities of the Chair are set out in the Management Statement and the Code of Conduct for Council Members (see above for links)</p>
<p>2 Compliance</p> <p>An independent public appointments assessor sits on the interview/selection panel for the Chair.</p> <p>The Chairman chairs the appointments panel for new members of Council and advises the Sponsor Group about potential re-appointments based on regular performance appraisal.</p>
<p>.3 Explain</p> <p>The responsibilities of the chair are laid out in the Code of Practice and the Management Statement (see 3 above):</p> <p>The Chair has a particular leadership responsibility on the following matters:</p> <ul style="list-style-type: none"> <li>▪ ensuring that the Council contributes to the development of the Secretary of State’s overall strategic priorities for the science base;</li> <li>▪ ensuring that the Council’s own Strategic and Delivery Plans are fully in accord with the Secretary of State’s agreed overall strategic priorities for the science base;</li> <li>▪ ensuring that the Council’s governing body, in reaching decisions, takes proper account of any guidance that may be provided by the Department;</li> <li>▪ ensuring that the Council takes account of the views of all its stakeholders;</li> <li>▪ ensuring that the Council’s governing body is provided with regular reports on the</li> </ul>

delivery of the Council's agreed Strategic Plan and Delivery Plan and related objectives and targets;

- encouraging high standards of propriety and ensuring that the affairs of the Council's governing body, its committees, its boards and other sub-groups, are conducted with probity;

together with the Chief Executive:

(a) promoting the effective recruitment, retention and development of staff and efficient use of other resources;

(b) representing the views of the Council to the general public.

The Chairman has regular monthly 1:1 meetings with the CEO

See 7 for appraisal arrangements for Council members

BIS do not currently assess the performance of the Chairman as part of any formal evaluation.

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

The Chairman's responsibilities are clearly set out and the appointment process complies fully with requirements.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

Annual appraisal of the Chair.

***ROLE OF THE CHIEF EXECUTIVE OFFICER (CEO)***

*The CEO is responsible for leadership of the PO and for ensuring its overall effectiveness*

Detail of Requirement	Assessment
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<p>1. The PO should be led by a CEO, whose duties, roles and responsibilities, terms of office and remuneration should be set out clearly and formally defined in writing. Terms and conditions must be in line with CO guidance and any statutory requirement</p> <p>2. There should be a formal, rigorous and transparent process for the appointment of the CEO.</p> <p>3. the responsibilities of the CEO can include the responsibilities of the Accounting Officer, the Consolidation Officer and Principal Officer for Ombudsman which involve:</p> <ul style="list-style-type: none"> <li>○ Overall responsibility for the PO’s performance, accounting for any disbursements of grant to the PO.</li> <li>○ Establish the PO’s corporate and business plans and departmental targets.</li> <li>○ Inform the Ministry of Justice of any complaints about the PO accepted by the Ombudsman for investigation if applicable.</li> <li>○ management of senior staff within the PO ensuring they are meeting objectives and following disciplinary procedures if necessary</li> <li>○ Maintains accounting records that provide the necessary information for the consolidation if applicable.</li> <li>○ (Details of accounting officer covered under 10: Effective Financial Management.)</li> </ul>	<p>Comply</p> <p>Comply</p> <p>Comply</p>
<p>Overall assessment of the role of the CEO</p>	<p><b>Green</b></p>

<p><b>Evidence of compliance or explanation for non-compliance</b></p>	
<p>1 Compliant</p> <p>The Councils CE role and responsibilities are described in the letter of appointment</p>	



and are also included in the management statement, which is in the public domain (
<p>2 Compliant</p> <p>The Department operates a fair and open process for the appointment of a CEO which essentially follows the same procedure as an OCPA regulated recruitment. Although there is no OCPA public appointments assessor involved there is always an independent panel member. For CEOs the appointment panel is chaired by the Director-General Knowledge and Innovation and includes the Director Research Base, the Chair of the Research Council and an independent panel member.</p>
<p>3 Compliant</p> <p>The CE has responsibilities as Accounting Officer, Principle Officer for Ombudsman cases and Consolidation Officer, laid out in the letter of appointment and the Management Statement which is in the public domain</p>

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

Roles and responsibilities of the CEO are set out clearly and in line with requirements.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

CEO's current term of office finishes in 2014. Decision on re-appointment or initiation of new appointment process will be required before the end of 2013.

## **ROLE OF THE NON-EXECUTIVE BOARD MEMBERS**

*As part of their role, non-executive board members provide independent and constructive challenge*

Detail of Requirement	Assessment
<p>Non-executive members should:</p> <ol style="list-style-type: none"> <li>1. Form the majority of the board.</li> <li>2. Be appointed under a formal, rigorous and transparent process compliant with the code of practice issued by OCPA.</li> <li>3. Have their duties, roles and responsibilities, terms of office and remuneration set out clearly and formally defined in writing. Their terms and conditions must be in line with CO guidance and any statutory requirement.</li> <li>4. be independent of management</li> <li>5. Allocate sufficient time to the board with details of their attendance published.</li> <li>6. Undergo proper induction, and appraisals.</li> <li>7. their responsibilities include: <ul style="list-style-type: none"> <li>○ Establishing strategic direction of the PO and oversee development and implementation of strategies, plans, priorities and performance/financial targets.</li> <li>○ Ensuring the PO complies with statutory and administrative requirements on the use of public funds and operates within its statutory and delegated authority.</li> <li>○ That high standards of corporate governance are observed.</li> </ul> </li> </ol>	<p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p>

Overall assessment of the role of non-executive directors	<b>Green</b>
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Evidence of compliance or explanation for non-compliance
<p>1 Compliance</p> <p>Non-executive directors form the majority of the Council. The only executive member is the CEO. Membership is published at :</p> <p><a href="http://www.mrc.ac.uk/About/Structure/Council/Membership/index.htm">http://www.mrc.ac.uk/About/Structure/Council/Membership/index.htm</a></p>
<p>2 Compliance</p> <p>Council members are appointed by BIS in accordance with the OCPA code of practice. Audit committee members vacancies advertised on public appointments website</p>
<p>3 Compliant</p> <p>Council member's role and responsibilities, term of office, remuneration and other terms and conditions are set out in the letter offering appointment, including the accompanying Code of Practice and the Management Statement.</p>
<p>4 Compliant</p> <p>Council members are independent of any management structures and are appointed independently of the management, by BIS.</p>
<p>5 Compliant</p> <p>Council member attendance is published within the governance statement in the annual report</p> <p><a href="http://www.mrc.ac.uk/Newspublications/Publications/AnnualReport/index.htm">http://www.mrc.ac.uk/Newspublications/Publications/AnnualReport/index.htm</a></p>
<p>6 Compliant</p> <p>Council members are provided with an induction pack, including information about MRC activities and copies of relevant policies. There is also an induction programme, which includes 1:1 meetings with each of the Corporate Directors, and the opportunity to participate in a bespoke programme of induction events.</p> <p>Council members have 1:1 appraisal meetings with the Chairman.</p>

Audit committee members attend 1 day external course on role of audit committees in the public sector

7 Compliant

Responsibilities of Council members are set out in the Management Statement, as follows:

- advise on new scientific opportunities, scientific direction and user needs;
- establish, within the policy and resources framework determined by the Secretary of State: the Mission and Strategic Plan and approve the Delivery Plan of the Council, which together shall cover the strategy, disposition of resources and key performance indicators and targets in respect of the Council's programmes of support for research, training, knowledge transfer and public engagement with research in pursuit of its Royal Charter objectives;
- ensure that action is taken to inform the Secretary of State, the DGRC and the Sponsor Team as appropriate of: any changes which are likely to impact on the delivery of the Strategic and Delivery Plans of the Council, significant variances and remedial action taken in respect of those plans and the attainability of its deliverables, milestones and targets. Then to ensure that the Chief Executive is arranging that the necessary corrective steps are taken;
- satisfy themselves that any statutory or administrative requirements for the use of public funds are complied with; that the Council operates within the limits of its Royal Charter and any delegated authority agreed with the Department, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Council takes into account guidance issued by the Department;
- require that they receive and review regular financial information concerning the management and performance of the Council, are informed in a timely manner about any concerns about the activities of the Council and that positive assurance is given to the Department that appropriate action has been taken on such concerns;
- ensure both that the Council's views are reflected in the pursuit of the Research Councils UK objectives and that they are informed of the collective views of the Research Councils UK Executive Group and the conclusions of the Joint Strategy Group and any implications for the work of the Council (see also paragraph 50);
- maintain high standards of corporate governance at all times, including by making use of the independent audit committee (paragraph 72) to help them to address the key financial and other risks facing the Council.

Additional guidance on responsibilities is provided in an Induction Pack for Council members.

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

Council members' roles and responsibilities are clearly set out, and the appointment process is compliant with the OCPA code of practice.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

As usual the Council secretariat will review the induction pack and programme of induction meetings before the next new members join the Council, taking account of feedback from members who have recently joined.

## ***EFFECTIVE FINANCIAL MANAGEMENT***

*The PO has taken appropriate steps to ensure that effective systems of financial management and internal controls are in place*

Detail of Requirement	Assessment
1. publish on time an objective, balanced and understandable annual report which complies with Treasury guidance, and includes an Annual Governance Statement;	Comply
2. comply with NAO requirements relating to the production and certification of their annual accounts;	Comply
3. have effective systems of risk management as part of their systems of internal control;	Comply
4. ensure an effective internal audit function is established which operates to Government Internal Audit Standards in accordance with CO guidance;	Comply

<p>5. have appropriate financial delegations in place understood by all relevant staff and stakeholders. effective systems must be in place to ensure compliance with these delegations and the systems are regularly reviewed;</p> <p>6. have anti-fraud and anti-corruption measures in place, and clear published rules governing claiming of expenses, with systems in place to ensure compliance. Information on expenses claimed by board members and senior staff should be published;</p> <p>7. establish an audit (or audit and risk) committee with responsibility for independent review of the systems of internal control and external audit process;</p> <p>8. take steps to ensure objective and professional relationship is maintained with external auditors.</p> <p>9. Comply with BIS guidance with regard to any department restrictions on spending.</p> <p>10. report to Corporate Finance with management accounts and Grant In Aid authorities</p>	<p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p>
<p>Overall assessment of effective financial management</p>	<p><b>Green</b></p>

<p><b>Evidence of compliance or explanation for non-compliance</b></p>	
<p>1 Compliant</p>	<p>The annual report and NAO approved accounts are published on the website:  <a href="http://www.mrc.ac.uk/Newspublications/Publications/AnnualReport/index.htm">http://www.mrc.ac.uk/Newspublications/Publications/AnnualReport/index.htm</a> This contains the governance statement by the CEO (AO).</p>
<p>2 Compliant</p>	

<p>The annual accounts for 2012/13 have been certified by the National Audit Office without qualification</p>
<p><b>3 Compliant</b></p> <p>The Council risk register is reviewed every quarter by Management Board and the Council Audit Committee, and is presented to Council as part of the Audit committee report to Council. The Corporate risk register is discussed with the BIS sponsor team at the 6-monthly performance management meetings.</p> <p>Risk management in general and fraud risk management were both audited by AASG (internal audit) in 2011; both received substantial assurance.</p> <p>The risk register is used to develop the annual audit programme.</p>
<p><b>4 Compliant</b></p> <p>The Council uses the Research Council Audit and Assurance Services Group (AASG) which operates to Government Internal Audit Standards. The performance of AASG is reviewed by the joint Audit and Assurance Advisory Board. This included review of KPI's. An independent review of AASG is planned for 2013/14</p> <p>A regular programme of audits exists which is approved by the Council's Audit Committee; this covers the risk management, internal controls and the aspects of Council operation identified in the risk register. The Audit Committee reports to Council after every meeting and via an annual report, The membership of the audit committee is on the MRC website.  <a href="http://www.mrc.ac.uk/About/Structure/Council/CouncilCommittees/index.htm#P15_690">http://www.mrc.ac.uk/About/Structure/Council/CouncilCommittees/index.htm#P15_690</a></p>
<p><b>5 Compliant</b></p> <p>The MRC has a detailed Delegation of Authority policy and scheme which is reviewed annually. The Policy and scheme are available to all staff. All staff with delegated authority receive a letter setting out what their authority is.</p> <p>The financial delegations are translated to the relevant IT systems, managed by UKSBS, which apply controls based on the delegated authorities.</p> <p>Training is available for non-financial staff.</p>
<p><b>6 Compliant</b></p> <p>The Council has a Fraud Policy, Fraud Strategy and a Travel, Subsistence, Hospitality and Expenses Policy.</p> <p>The MRC's Fraud and Bribery Act e-learning course is mandatory for all managers.</p>

The Fraud policy was subject to internal audit as part of the audit of Fraud management in 2011 and received substantial assurance. The compliance with the expenses policy is part of the quarterly audits of UK SBS Ltd processes.

The MRC completed the Managing the Risk of Financial Loss report in 2011 and has followed this up in 2012/13. A follow up report was submitted to BIS in May 2013.

The Travel, Subsistence, Hospitality and Expenses policy applies to all MRC-employees, Council and Board Members and other non-employees travelling on MRC business. The policy is published on the website (<http://www.mrc.ac.uk/Ourresearch/Boardpanelsgroups/MRCExpensesPolicy/index.htm>).

The total expenditure on travel, subsistence and hospitality is provided in the Annual Report and Accounts. Expenses for the Council's staff and individual Council and Board members all fall under the level at which reporting expenses is normally required.

Board member expenses are certainly below the £25k threshold – we will be reporting transactions above £500 soon, but that is also unlikely to capture most expenses payments.

MRC don't currently publish expenses for either Council or Senior Staff; we understood that this is not currently mandatory for NDPBs, but has started to consider how they might be able to do this without creating a heavy administrative burden. The plan was to look at what data can be easily reported from routine SBS records and whether this is meaningful (expenses claims paid out to individuals do not include travel bookings made via the central HRG system and therefore could present a very misleading picture)

#### 7 Compliant

The Council has an Audit Committee, all members of which are independent; details can be found on the website: The Audit committee meets 5 times a year and reports directly to Council.

The committee carries out an annual review of its performance

[http://www.mrc.ac.uk/About/Structure/Council/CouncilCommittees/index.htm#P15\\_690](http://www.mrc.ac.uk/About/Structure/Council/CouncilCommittees/index.htm#P15_690)

#### 8 Compliant

There are regular and constructive discussions with the NAO both in private session and within audit committee meetings.

#### 9 Compliant

The Council complies with the BIS guidance in relation to spending controls including those introduced by the Cabinet Office in areas such as consultancy and marketing. This is regularly discussed with the BIS Research Base team. Restrictions are incorporated into the delegated authority policy as appropriate.



**10 Compliant**

The Council has regular contact with the BIS Corporate and Research Base Finance teams and complies with the requirements for the submission of regular management accounts.

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

The Deloitte's report documented strong financial management within the MRC

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

MRC plan to investigate whether it is feasible to publish expenses for individual members of Council and Senior Staff without creating a significant administrative burden.

## **COMMUNICATION AND ENGAGEMENT**

*The Public Body is open, transparent, accountable and responsive*

Detail of Requirement	Assessment
<p>The PO should:</p> <ol style="list-style-type: none"> <li>1. establish clear and effective channels of communication with stakeholders;</li> <li>2. make an explicit commitment to openness in all activities. Engage and consult with public on issues of public interest or concern and publish details of senior staff and board members with contact details;</li> <li>3. hold open board meetings or an annual open meeting;</li> </ol>	<p>Comply</p> <p>Comply</p> <p>Comply</p>

4. proactively publish agendas, minutes of board meetings and performance data;	Comply
5. establish and publish effective correspondence handling and complaint procedures, and make it simple for members of the public to contact them/make complaints. Complaints should be investigated thoroughly and be subject to investigation by the Parliamentary Ombudsman. Performance in handling correspondence should be monitored and reported on;	Comply
6. comply with any Government restrictions on publicity and advertising, with appropriate rules in place to limit use of marketing and PR consultants. Have robust and effective systems in place to ensure the PO is not engaged in political lobbying, includes restriction on board members attending Party Conferences in a professional capacity.	Comply
7. engage the Sponsor Group appropriately especially in instances where events may have reputational implications on the department.	Comply
Overall assessment of communications	<b>Green</b>

<b>Evidence of compliance or explanation for non-compliance</b>
<p>1 Compliant</p> <p>Public engagement and effective communication are part of the MRC’s Mission. The council has a communication strategy, and some aspects of the Council’s communications are coordinated at and RCUK level.</p> <p>The MRC communications team supports effective communications and engagement with stakeholders, including public audiences, through a range of communication channels, events and partnerships, some examples of which are given below.</p> <p>Public engagement is delivered through partnerships with the major UK science festivals, where MRC scientists run hands-on workshops relating to their research</p> <p>The press office raises awareness of research discoveries of relevance and interest to the public by working with journalists and securing coverage in the national media (print, broadcast and online).</p>

The digital team manages the MRC website and social media channels (blog, Twitter, Facebook), in line with guidance from the Government Digital Service, ensuring that information relating to all aspects of the MRC's work is easily accessible.

Stakeholders are involved in MRC work through partnerships and events.

The MRC supports the All Party Parliamentary Group on medical research which holds briefings and exhibitions to help increase awareness and understanding of research impact amongst parliamentarians.

The MRC magazine, *Network*, provides a wide range of individuals with information on recent achievements resulting from MRC research.

The engagement team runs the biannual MRC Directors' Meetings which bring together the leaders of major MRC investments in research and allow discussion and debate on areas of strategic importance.

## 2 Compliant

The Council has committed itself to openness in all its activities. The MRC's website contains information targeted at a range of audiences.

[www.mrc.ac.uk](http://www.mrc.ac.uk)

Information about senior staff and council members is published on the website and in the annual report.

The MRC has had a policy for some years requiring Open Access publication of results from its funded research.

The Council has discussions with a range of stakeholders, including the general public about its forward strategies and activities. Recently different groups of stakeholders have been consulted about the development of the new MRC Strategic Plan.

MRC funds public dialogue exercises about potentially controversial areas of research. MRC signed the Declaration on Openness relating to animal research in 2012, and is actively involved in developing a formal Concordat on Openness about Animal Research. In relation to this, MRC are currently partnering with Sciencewise to fund a public dialogue on openness relating to animal research being conducted by Ipsos-Mori.

## 3 Compliant

MRC Council holds an annual Open meeting in a different part of the UK each year, with the objective of engaging with its key stakeholders in the local area. A report of the meeting is published on the web site. The report of the most recent meeting can be found here:<http://www.mrc.ac.uk/About/Structure/Council/OM12/index.htm>

## 4 Compliant

The Agendas, and minutes of the council meetings are published:  
<http://www.mrc.ac.uk/About/Structure/Council/Meetingminutes/index.htm>

In addition the Council publish a range of additional documents including delivery plans, strategic plans and annual reviews:

<http://www.mrc.ac.uk/About/Strategy/StrategicPlan2009-2014/index.htm>

<http://www.mrc.ac.uk/Newspublications/Publications/DeliveryPlan/index.htm>

<http://www.mrc.ac.uk/Newspublications/Publications/AnnualReview/index.htm>

The council regularly publishes information on success rates; see  
<http://www.mrc.ac.uk/Ourresearch/Successrates/index.htm>

## 5 Compliant

The Council has a formal complaints procedure which is detailed on the website:

<http://www.mrc.ac.uk/About/Informationandstandards/Complaints/index.htm>

This includes information about how to complain about responses to requests under the Freedom of Information Act and the Data Protection Act.

## 6 Compliant

The Council has complied with central government spending control requirements on publicity and advertising. It avoids engagement in political lobbying and has regularly informed its Council members and staff on the restrictions on participation in Party Conferences.

## 7 Compliant

The Council engages closely with its sponsorship team in the BIS Research Base and the BIS communication specialists on communications matters particularly where there are potential reputational issues. Examples of engagement include:

6-monthly performance review meetings between the CEO and MRC Directors and senior staff in the BIS RB team, which regularly include discussions of issues that might have a reputational impact

Regular attendance of the BIS RB Director at MRC Council meetings

Regular meetings at various levels with members of the RB team to discuss policy issues of mutual interest, such as the life science strategy or the use of animals in research.

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

Public engagement is part of the MRC's mission and all MRC Units and Institutes have active programmes of public engagement. There is also a programme of public and stakeholder engagement events supported by the communications team. Full compliance with openness and transparency requirements.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

The MRC's complaints policy is currently being reviewed and updated; the new version will be published in Autumn 2013.

## **CONDUCT AND PROPRIETY**

*The board and staff of the PO work to the highest personal and professional standards. They promote the values of the PO and of good governance through their conduct and behaviour*

Detail of Requirement	Assessment
1. a Code of Conduct must be in place setting out the standards of personal and professional behaviour and propriety expected of all board members which follows the CO Code and form part of the terms and conditions of appointment;	Comply
2. the PO has adopted a Code of Conduct for staff based on the CO model Code and form part of the terms and conditions of employment;	Comply
3. there are clear rules and procedures in place for managing conflicts of interest. There is a publicly available Register of Interests for board members and senior staff which is regularly updated;	Comply
4. there are clear rules and guidelines in place on political activity for board members and staff with effective systems in	Comply

<p>place to ensure compliance with any restrictions;</p> <p>5. there are rules in place for board members and senior staff on the acceptance of appointments or employment after resignation or retirement which are effectively enforced;</p> <p>6. Board members and senior staff should show leadership by conducting themselves in accordance with the highest standards of personal and professional behaviour and in line with the principles set out in respective Codes of Conduct.</p>	<p>Explain</p> <p>Comply</p>
<p>Overall assessment of conduct and propriety</p>	<p><b>Green</b></p>

<p><b>Evidence of compliance or explanation for non-compliance</b></p>
<p>1 Compliant</p> <p>There is a code of practice for council members, which has recently been updated. The new version will be available in the public domain after the Triennial Review is complete. The former version is at:  <a href="http://www.mrc.ac.uk/Utilities/Documentrecord/index.htm?d=MRC003373">http://www.mrc.ac.uk/Utilities/Documentrecord/index.htm?d=MRC003373</a></p>
<p>2 Compliant</p> <p>The MRC code of conduct for staff complies with the Cabinet Office model. The provisions of the guide form part of the terms and conditions of staff.</p>
<p>3 Compliant</p> <p>Guidance on conflicts of interest for council Members is provided in the Code of Practice issued with the letter offering appointment. Council members declared interests are published on the public data section of the website:  <a href="http://www.mrc.ac.uk/About/Structure/Council/Dol/index.htm">http://www.mrc.ac.uk/About/Structure/Council/Dol/index.htm</a></p> <p>Declarations of interest for Research Board and funding panel members are also published on the web site in the section describing each panel – see  <a href="http://www.mrc.ac.uk/Ourresearch/Boardpanelsgroups/MCMB/index.htm">http://www.mrc.ac.uk/Ourresearch/Boardpanelsgroups/MCMB/index.htm</a>:</p> <p>Declarations of interest for the CEO and Head Office Directors are published in the Annual Report.</p>

There is also a policy on handling conflicts of interest for staff.
<p>4 Compliant</p> <p>The council members Code of Practice, which accompanies the letters offering appointment to the Council, provides guidelines on political activity. Council members and staff are reminded of appropriate guidance whenever this is issued by Cabinet Office.</p> <p>For Council staff the staff code includes the statement on Public Sector Values and Behaviours - which covers the issue of political impartiality.</p>
<p>5 Explain</p> <p>On leaving the MRC, staff are still bound by a duty not to use, gain from or divulge to any persons, firm, company or other organisation any information of a confidential nature belonging to the MRC or relating to its research, funding, affairs or dealings which may have come to their knowledge during their employment. However, there are no specific requirements relating to employment after resignation or retirement from MRC's service for senior staff or Council members.</p>
<p>6 Compliant</p> <p>The council members Code of Practice, which accompanies the letters offering appointment to the Council, makes it clear that individual Board members should be aware of their conduct and wider responsibilities as members of the Board and that they should follow the “Seven Principles of Public Life”.</p> <p>Council members act in accordance with high standards of professionalism and the way conflicts of interest are handled is documented clearly in published Council minutes.</p>

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

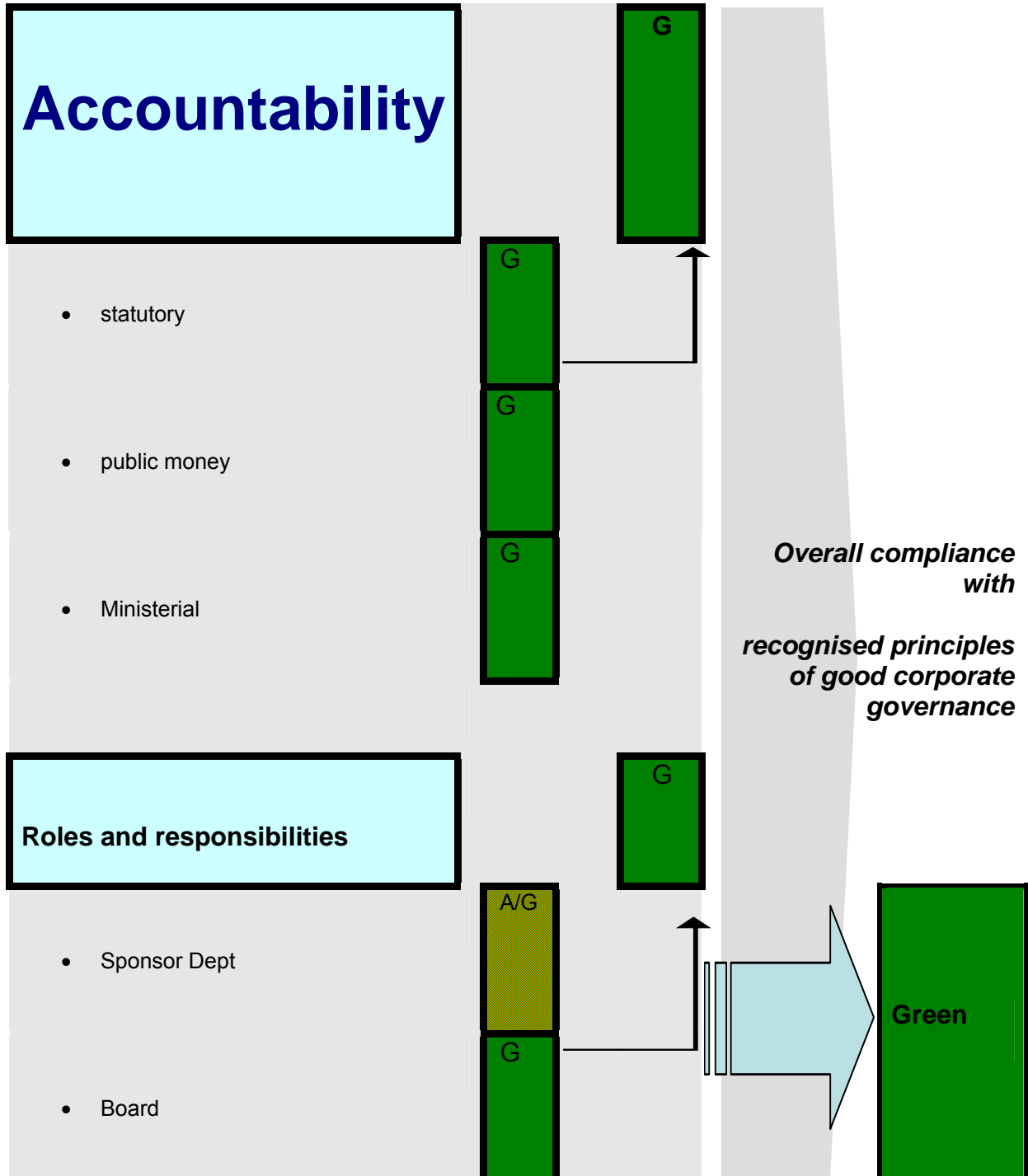
Requirements for both staff and Council members are clearly set out and understood.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

No areas identified by MRC

# Annex L: Detailed Assessment – NERC

## SUMMARY ASSESSMENT





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• Chair	G	
• CEO	G	
• NEDS	G	
<b>Effective financial management</b>		G
<b>Communication</b>		G
<b>Conduct and behaviour</b>		G

## STATUTORY ACCOUNTABILITY

*Does the public body comply with all applicable statutes and regulations and other relevant good practice?*

Detail of Requirement	Assessment
<p>The PO:</p> <ol style="list-style-type: none"> <li>1. complies with all statutory and administrative requirements on the use of public funds (inc. HMT Managing Public Money, and CO/HMT spending controls);</li> <li>2. operates within the limits of its statutory authority and in accordance with delegated authorities agreed with BIS;</li> <li>3. operates in line with statutory requirements for the Freedom of Information Act;</li> <li>4. has a comprehensive publication scheme;</li> <li>5. proactively releases information that is of legitimate public interest;</li> <li>6. produces annual reports and accounts which are laid before Parliament</li> <li>7. complies with data protection legislation;</li> <li>8. complies with Public Records Acts 1958 and 1967.</li> </ol>	<p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p>

Overall assessment of statutory accountability	<b>Green</b>
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Evidence of compliance or explanation for non-compliance
<p>1 Compliant</p> <p>The NERC Annual Report, which contains a performance review, the Financial Accounts and Governance Statement are available on the website (<a href="http://www.nerc.ac.uk/publications/annualreport/">http://www.nerc.ac.uk/publications/annualreport/</a>). The National Audit Office has examined the report and provided an unqualified opinion on their accuracy.</p> <p>NERC's systems of internal control are also subject to internal audit. The last Annual Report on 20 June 2013 gave substantial assurance.</p>
<p>2 Compliant</p> <p>The Research Councils delegated authorities are laid out in a letter of delegation, which is evergreen, i.e. operates until superseded.</p> <p>Compliance with this is demonstrated through the published Annual Report.</p>
<p>3 Compliant</p> <p>NERC, to comply with the FoI Act, also has to provide a 'Publication Scheme' on its website: <a href="http://www.nerc.ac.uk/about/foi/publicationscheme.asp">http://www.nerc.ac.uk/about/foi/publicationscheme.asp</a>. This is required to proactively provide as much corporate information as possible to the general public, without them having to ask for it to be made available.</p> <p>In 2012 NERC dealt with 54 requests for information under the Act and responded to all within the statutory time period or within an agreed extension.</p> <p>A cross-Research Council Freedom of Information Audit in 2011-12 (ref. CCA02-1112) gave a Substantial Assurance rating.</p>
<p>4 Compliant</p> <p>One of the three RC's Royal Charter objectives is to disseminate knowledge. This is accomplished in part by meeting NERC's communication objectives. This is in addition to compliance with FOI statutes (see Q3 above).</p> <p>These communication strategies include the publication of a range of documents on</p>

the council website including:

- Annual Reports and Accounts: <http://www.nerc.ac.uk/publications/annualreport/>
- Delivery Plan: <http://www.nerc.ac.uk/about/perform/documents/deliveryplan201012.pdf>
- NERC / BIS scorecard: <http://www.nerc.ac.uk/about/perform/documents/scorecard20112015.pdf>
- strategic plan (the new strategy will be published at the end of 2013): <http://www.nerc.ac.uk/about/strategy/ngscience.asp>
- subject specific strategies (Theme Action Plans): <http://www.nerc.ac.uk/research/themes/tap/>
- annual Impact Report: <http://www.nerc.ac.uk/about/perform/documents/impactreport2012.pdf>
- Planet Earth: <http://www.nerc.ac.uk/publications/planetearth/>

In addition, the NERC publication scheme is available at:

<http://www.nerc.ac.uk/about/foi/publicationscheme.asp>

## 5 Compliant

In addition to publication of key documents (Q4 above) and documents published to facilitate compliance with the FOI act (Q3 above) - to comply with Royal Charter Objectives NERC publishes regular news items and featured research articles:

- News feed: <http://www.nerc.ac.uk/> & <http://planetearth.nerc.ac.uk/news/index.aspx>
- Podcasts and videos: <http://planetearth.nerc.ac.uk/multimedia/index.aspx>
- Features: <http://planetearth.nerc.ac.uk/features/index.aspx>
- NERC publications page: <http://www.nerc.ac.uk/publications/>
- Economic valuation reports: <http://www.nerc.ac.uk/business/casestudies/reports.asp>

NERC also has a data sharing policy to allow the appropriate sharing of research outputs in a timely manner: <http://www.nerc.ac.uk/research/sites/data/policy.asp>

RCUK have an agreed policy on open access which will improve public access to the outputs of publically funded research:

<http://www.rcuk.ac.uk/documents/documents/RCUKOpenAccessPolicy.pdf>

**6 Compliant**

NERC produces publically available annual reports and accounts; these are also laid before parliament:

- Annual Report & Accounts 2012-13  
<http://www.nerc.ac.uk/publications/annualreport/>
- Annual Report & Accounts 2011-12:  
<http://www.nerc.ac.uk/publications/annualreport/2012/>
- Annual Report & Accounts 2010-11:  
<http://www.nerc.ac.uk/publications/annualreport/2011/>
- Annual Report & Accounts 2009-2010:  
<http://www.nerc.ac.uk/publications/annualreport/2010/>

**7 Compliant**

NERC has a Data Protection Officer and has filed a notification with the ICO. Effective delivery of the regulation is covered by regular internal audit. There is currently a cross-Research Council audit on data protection taking place that is due to report later in 2013.

**8 Compliant/ Compliant with spirit of Act**

All councils comply with the acts relevant code of practice and regulations and have appropriate record retention and archiving policies to reflect this.

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

NERC has clear roles and responsibilities with local FOI leads at NERC Research Centres and a corporate team to provide overall leadership and guidance. Within NERC there are professionally skilled FOI and data protection team members, with training provided for local leads in 2013.

NERC staff are aware of and understand their responsibilities relating to FOI legislation.

Identified improvements relating to revised data protection policy, procedures and guidance are in process.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

NERC will

- Maintain staff awareness of their responsibilities relating to FOI legislation
- Re-establish and train local data protection leads at all Centres
- Remind staff of their data protection responsibilities

## **ACCOUNTABILITY FOR PUBLIC MONEY**

*The Accounting Officer of the PO is personally responsible and accountable to Parliament for the use of public money by the body and the stewardship of assets*

Detail of Requirement	Assessment
1. there is a formally designated Accounting Officer (AO) who in particular has a responsibility to provide evidence-based assurances required by the Principal Accounting Officer (PAO);	Comply
2. the role, responsibilities and accountability of the AO should be clearly defined and understood and the AO should have received appropriate training;	Comply
3. the PO should be compliant with requirements set out in Managing Public Money, relevant Dear Accounting Officer letters and other directions;	Comply
4. the PO should establish appropriate arrangements to ensure that public funds: <ul style="list-style-type: none"> <li>○ are properly safeguarded;</li> <li>○ are used economically, efficiently and effectively;</li> <li>○ are used in accordance with the statutory or other</li> </ul>	Comply

<ul style="list-style-type: none"> <li>○ authorities that govern their use;</li> <li>○ deliver value for money for the Exchequer as a whole;</li> <li>○ are subject to Treasury approval, either directly or through established delegated authority;</li> </ul> <p>5. the annual accounts are laid before Parliament after certification by the Comptroller and Auditor General</p>	Comply
Overall assessment of accountability for public money	<b>Green</b>

Evidence of compliance or explanation for non-compliance
<p>1 Compliant</p> <p>NERC's CE is Accounting Officer for the Council, with delegated authorities outlined in the letter of delegation, from the Perm Sec (as Principle Accounting officer) sent via the relevant DG on his behalf.</p>
<p>2 Compliant</p> <p>The role, responsibilities and accountability of the Accounting Officer is set out in the delegated authority letter. New CEs receive appropriate training provided by BIS</p>
<p>3 Compliant</p> <p>The RCs receive regular formal communications from BIS with instructions for compliance with any revised accountabilities. The compliance and robustness of any controls is checked regularly by internal audit. The AASG Audit Report to the Accounting Officer gave NERC substantial assurance on 20th June 2013.</p>
<p>4 Compliant</p> <p>NERC has multiple arrangements in place to ensure the good use of public funds at the individual Research Council level as described below.</p> <p>NERC's CE as the Accounting Officer has delegations laid down by BIS. These delegations are handled internal through internal delegation authorities. The compliance and robustness of any controls is checked regularly by internal audit. The</p>

AASG Audit Report to the Accounting Officer gave NERC substantial assurance on 20th June 2013.

NERC's internal controls and processes are documented and the robustness of these controls is checked regularly by internal audit as part of the annual audit programme.

The Comptroller and Auditor General, in reviewing the Annual Report and Accounts, is required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

The Annual Report also contains trend information to help demonstrate return on investment:

- i. Royalties and licence income by Research Centres
- ii. Research Council income from the private sector
- iii. Value of earned income by Research Centres

In addition, the annual Impact Report contains data against agreed BIS metrics, including leverage.

- Annual Report and Accounts: <http://www.nerc.ac.uk/publications/annualreport/>
- Impact Report:  
<http://www.nerc.ac.uk/about/perform/documents/impactreport2012.pdf>

NERC has a number of royal charter objectives, and undertake programmes to underpin these in summary:

(a) to promote and support, by any means, high-quality basic, strategic and applied research, survey, long-term environmental observation and monitoring and related post-graduate training in environmental and related sciences including: terrestrial, marine and freshwater biology and Earth, atmospheric, hydrological, oceanographic and polar sciences; and in Earth observation and the Earth's system;

(b) to advance knowledge and technology (including the promotion and support of the exploitation of research outcomes), and to provide services and trained scientists and engineers, which meet the needs of users and beneficiaries (including the agricultural, construction, Earth observation, energy, environmental services, fishing, forestry, hydrocarbons, financial services, minerals, process, remote-sensing, water and other industries), thereby contributing to the economic competitiveness of Our United Kingdom, the effectiveness of public services and policy, and the quality of life;

(c) in relation to the activities as engaged in by the Council under (a) and (b) above



and in such manner as the Council may see fit:

- i. to generate public awareness;
- ii. to communicate research outcomes;
- iii. to encourage public engagement and dialogue;
- iv. to disseminate knowledge; and
- v. to provide advice.

NERC and the RCs collectively invest in evaluation measures to demonstrate the delivery of the mission, in collaboration with BIS.

Citation impact is a key measure of the excellence and health of the research base. Independent studies recently commissioned by BIS ([www.bis.gov.uk/assets/biscore/science/docs/i/11-p123-international-comparativeperformance-uk-research-base-2011.pdf](http://www.bis.gov.uk/assets/biscore/science/docs/i/11-p123-international-comparativeperformance-uk-research-base-2011.pdf)) and NERC ([www.nerc.ac.uk/about/perform/documents/citationsstudy-2012.pdf](http://www.nerc.ac.uk/about/perform/documents/citationsstudy-2012.pdf)) demonstrate that NERC remains a world leader. For example:

- the UK leads in research excellence globally and is only ever second to the US.
- UK environmental science is cited more often than that of any other major research country (1.4 times the world average and rising) and delivers value for money, as many other leading countries invest a larger proportion of their GDP in research.
- NERC-funded research performs significantly more strongly, i.e., 40 per cent better citations impact than UK Environmental Science as a whole.
- NERC's own research centres perform strongly, averaging around twice the world mean citation impact.
- NERC-funded scientists are often leaders and partners in international programmes. 53 per cent of NERC funded scientific publications involve international collaborators.

In addition, Research Councils work together as Research Councils UK to ensure the good use of public funds at the collective level:

- In 2006 Research Councils established RCUK Shared Service Centre Ltd. to deliver efficiency savings through providing shared back-office functions to the seven Research Councils. In 2012 the company began delivering shared services to the wider BIS family of partner organisations as UK SBS Ltd.

**5 Compliant**

NERC's accounts are signed-off by the Auditor General and laid before parliament after certification by the NAO, the accounts can be found here:<http://www.nerc.ac.uk/publications/annualreport/>

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

NERC's Financial Accounting is a core strength with good quality accounts completed before the summer recess. NERC is looking to increase its support to the BIS-wide consolidated account preparation by quickening the NERC timetable and completing the whole annual process a month earlier, in June rather than July.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

As described earlier, Research Councils have multiple arrangements in place to ensure the good use of public funds at the individual Research Council level.

Research Councils are keen to go further though, and are exploring with BIS:

- Changes to the governance of RCUK Executive Group to charge the group with responsibility for delivering collective efficiency savings and transformational change across Research Councils.
- A stronger role for the BIS DG Knowledge & Innovation to enable more agile decision making within RCUK Executive Group.
- The establishment of an RCUK Chairs forum as an advisory forum on issues of governance.

These changes build on Recommendations 8 and 9 from Stage One of the Triennial Review of the Research Councils.

## MINISTERIAL ACCOUNTABILITY

*The Secretary of State is ultimately accountable to Parliament and the public for the overall performance of the public body*

Detail of Requirement	Assessment
1. the Secretary of State and Sponsor should exercise appropriate scrutiny and oversight of the PO;	Comply
2. appointments to the board should be made in line with any statutory requirements and, where appropriate, with the <i>Code of Practice</i> issued by OCPA;	Comply
3. the Secretary of State will normally appoint the Chair and all non-executive board members of the PO and be able to remove individuals whose performance or conduct is unsatisfactory;	Comply
4. the Secretary of State should be consulted on the appointment of the Chief Executive and will normally approve the terms and conditions of employment;	Comply
5. the Secretary of State should meet the Chair and/or Chief Executive on a regular basis;	Comply
6. Parliament should be informed of the activities of the PO through publication of an annual report;	Comply
7. a range of appropriate controls and safeguards should be in place to ensure that the Secretary of State is consulted on key issues and can be properly held to account (e.g. Business Plan, power to require information, a general or specific power of Ministerial direction over the PO, a power for the Secretary of State to be consulted on key financial decisions.)	Comply

Overall assessment of Ministerial Accountability	<b>Green</b>
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<b>Evidence of compliance or explanation for non-compliance</b>
<p><b>1 Compliant</b></p> <p>There are frequent Ministerial meetings with Chief Executives and Chairs on topical issues as they arise. In addition, the Minister for Universities and Science has regular (bi-monthly) meetings with the seven Chief Executives as well as regular one-to-one meetings with the Chair of Research Councils UK, and for each of the Research Councils has attended Council meetings by invitation.</p> <p>Following accountability meetings with the BIS Sponsor Director and team, the Minister for Universities and Science also receives regular twice yearly updates on the performance of the Research Councils and upcoming issues and risks:</p> <p>BIS Ministers are frequently involved in announcements about new Research Council developments and initiatives and there is regular and frequent communications between the Research Council and BIS communications teams.</p>
<p><b>2 Compliant</b></p> <p>As an upper tier body, appointments to Council are required to be made in accordance with the OCPA Code of Practice. For the recruitment of Research Council Chairs the OCPA code requires an OCPA Public Appointments Assessor to chair the appointment panel and certify the overall process met the OCPA code in a final written report. There is also an independent panel member. For Council members the OCPA code requires there to be an independent panel member. At the end of the recruitment the Department certifies that the recruitment was conducted in accordance with the Code. These certificates are available. The recruitment of Chief Executives is not covered by the OCPA Code but in the spirit of fair and open recruitment the Department uses a process analogous to the OCPA Code.</p>
<p><b>3 Compliant</b></p> <p>The Secretary of State is responsible for appointing the Chair, Chief Executive and Council members. The sponsorship team is responsible for the management of appointments and submission of names to Ministers.</p> <p>Appointment letters note that Board Members may be removed from office by the Secretary of State on grounds of incapacity or misbehaviour or a failure to observe the terms and conditions of the appointment. Appointment letters are available.</p>

4 Compliant
The Secretary of State is responsible for the recruitment of and makes the final decision on who is appointed as Chief Executive. Terms and conditions for Chief Executives consist of an appointment letter from the Department supplemented by a further Service Contract issued by the Research Council.
5 Compliant
The Minister has regular (bi-monthly) meetings with the seven Chief Executives as well as regular one-to-one meetings with the Chair of Research Councils UK, and for each of the Research Councils has attended Council meetings by invitation. This is in addition, to frequent ad hoc discussion with Chief Executives, Chairs and others within Research Councils, of topical issues as they arise.
6 Compliant
Annual reports are published on the NERC website: <a href="http://www.nerc.ac.uk/publications/annualreport/">http://www.nerc.ac.uk/publications/annualreport/</a>
7 Compliant
The Research Council's Management Statement and Financial Memorandum sets out provisions for the Secretary of State to be consulted on key decisions. In 2012/13 The Department and the Councils have been updating the language and terminology used in the documents and it is planned that revised versions will be available in September 2013.
Research Councils consult BIS Ministers on its key strategic documents, including its Delivery Plans. Decisions going beyond Research Councils' delegated financial authority are also submitted to BIS for endorsement and agreement.
BIS Ministers are frequently involved in announcements about new Research Council developments and initiatives and there are regular and frequent communications between the Research Council and BIS communications teams

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

Very strong Ministerial engagement with the work of the Research Councils.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

No areas for improvement identified by NERC

## **ROLE OF THE SPONSORING GROUP**

*BIS ensures that there are robust governance arrangements with the board of each PO setting out the terms of their relationship, and how they will be put in place to promote high performance and safeguard propriety and regularity*

Detail of Requirement	Assessment
<ol style="list-style-type: none"> <li>1. The Group should scrutinise the performance of the PO. There should be appropriate systems and processes to ensure effective governance, risk management and internal control in the PO;</li> <li>2. There should be a Framework Document in place which sets out clearly the aims, objectives and functions of the PO and the respective roles and responsibilities of the Secretary of State, the Sponsoring Group and the PO. It should be regularly reviewed and updated and follow relevant CO and HMT guidance. The Framework document should include a Financial Memorandum as an appendix. A review of the Framework document should be carried out every three years and in line with the Triennial Review.</li> <li>3. A Sponsor should be identified and there should be regular and on-going dialogue between the Sponsoring Group and the PO. Senior officials from the Sponsoring Group may as appropriate attend board and/or committee meetings.</li> </ol>	<p style="text-align: center;">Comply</p> <p style="text-align: center;">Explain</p> <p style="text-align: center;">Comply</p>
Overall assessment of the role of the Sponsoring Group	<b>Amber/Green</b>

## Evidence of compliance or explanation for non-compliance

### 1 Compliant

Overall performance and issues concerning governance and internal control in the Research Councils are reviewed as part of the formal six-monthly review meetings with the Chief Executive and senior team of each Research Council, and are as appropriate, also included in more frequent one-to-one meetings between BIS and the Chief Executive. In addition, the Research Councils provide BIS with quarterly performance and risk reports. Examples of quarterly reports and notes of accountability meetings are available.

In addition, BIS is represented with observer status at Council meetings.

### 2 Explain

A formal Management Statement sets out the roles and responsibilities of both the Research Council and the Department. A Financial Memorandum is also in place as a separate document governing the financial relationship between the Research Council and the Department. Copies are available.

In 2012/13 The Department and the Councils have been updating the language and terminology used in the documents and it is planned that revised versions will be available in September 2013.

Changes may be required as a result of the outcome of the Triennial Review of the Research Councils.

### 3 Compliant

Regular and frequent dialogue takes place between the Sponsor Team and the Research Council, in addition to six-monthly review meetings and regular one-to-one meetings between BIS and the Chief Executive.

The Sponsor team has senior official representation as an observer at Council meetings with Jeremy Clayton (Director) / Graeme Reid (Deputy Director) attending as an observer.

In the BIS Finance-led Partner Organisation Assessment Exercise, relationships between the BIS sponsor and the partner organisation have been rated strongly. These assessments are available.

<b><u>Strengths identified by the Research Council and sponsor body, and considered by the Review Team</u></b>
Strong relationships between the Research Council and the sponsoring group, with frequent and regular dialogue

<b><u>Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team</u></b>
Management Statements are in need of updating, which is currently underway.

## ***ROLE OF THE BOARD***

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*The PO is led by an effective board which has collective responsibility for its overall performance and success, and provides strategic leadership, direction, support and guidance. The board has an appropriate balance of skills, experience, independence and knowledge, with a clear division of roles and responsibilities between Executives and Non-Executives*

<b>Detail of Requirement</b>	<b>Assessment</b>
<p>The Board of the PO should:</p> <ol style="list-style-type: none"> <li>1. meet regularly, retain effective control over the PO, and monitor the SMT, holding the CEO accountable for the performance and management of the PO;</li> <li>2. be appropriate in size with membership from a diverse background;</li> <li>3. establish a framework of strategic control specifying what matters are reserved for the board and establish arrangements to ensure it has access to relevant information, advice and recourses to carry out its role effectively;</li> <li>4. establish formal procedural and financial regulations to govern the conduct of its business;</li> </ol>	<p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p>



<p>5. make a senior executive responsible for ensuring appropriate advice is given on financial matters, procedures are followed, and that all applicable statutes and regulations and other relevant statements of best practice are complied with;</p>	<p>Comply</p>
<p>6. establish a remuneration committee to make recommendations on the remuneration of top executives. Information on senior salaries should be published and rules for recruitment and management of staff provide for appointment and advancement on merit;</p>	<p>Comply</p>
<p>7. be evaluated annually, including an evaluation of the chair and board members.</p>	<p>Explain</p>
<p>Overall assessment of role of the Executive Board</p>	<p><b>Green</b></p>

<p><b>Evidence of compliance or explanation for non-compliance</b></p>
<p>1 Compliant</p> <p>The Council meets five times per year. It receives regular reports from the CEO and scrutinises the work of the senior management team in delivering the agreed strategy. It holds both to account for the management of the Council's work.</p>
<p>2 Compliant</p> <p>The governing board of NERC is the Council, which consists of the Chair, Chief Executive acting as Deputy Chair, and 14 Council members, of whom eight are academics from the Council's research community. This size and composition is consistent with the Council's Royal Charter, which states <i>"The Council shall consist of a Chair, a Chief Executive and Deputy Chair, and not less than ten nor more than eighteen other members, at least half of whom shall be appointed by reason of their qualifications in science or engineering."</i></p> <p>As such, the size of the governing board is larger than might normally be expected. However, the diverse representation which this larger size does have the benefit of providing a demonstrable sense of 'ownership' of the organisation from across the Council's diverse academic and user community. As such, the Council, to an extent, performs a dual role of governing board and stakeholder forum.</p> <p>The Royal Charter and list of current Council members and their backgrounds is provided in the data archive.</p>

<p>Past membership can be found in the annual reports which are in the public domain:</p> <p><a href="http://www.nerc.ac.uk/publications/annualreport/archive.asp">http://www.nerc.ac.uk/publications/annualreport/archive.asp</a></p>
<p>3 Compliant</p> <p>The framework for all governance and control is contained within the Code of Practice for Council Members which included aspects such as strategic control and financial management. In addition the handbook for council members outlines how the framework operates. This is available to all members on their secure website.</p> <p><a href="http://www.nerc.ac.uk/about/work/boards/council/codeofpractice.asp">http://www.nerc.ac.uk/about/work/boards/council/codeofpractice.asp</a></p>
<p>4 Compliant</p> <p>see above</p>
<p>5 Compliant</p> <p>The NERC Director of Finance and Operations has been nominated as the senior executive responsible for providing advice to the Board on financial matters. He prepares the annual Governance Statement which is signed by the CEO as part of the process of completing the Annual Report and Accounts. The NERC Director of Finance and Operations is responsible for compliance with the treasury rules on managing public money.</p> <p>Remuneration of senior NERC staff, including performance related bonuses are published in the annual accounts: <a href="http://www.nerc.ac.uk/publications/annualreport/">http://www.nerc.ac.uk/publications/annualreport/</a>.</p> <p>NERC's Merit Promotion scheme recognises staff who can develop the role they are in to a higher level, through the application of particular, personal skills, and for the benefit of the organisation. The ability to recognise and reward the contribution of those who have developed their roles is an important part of career management within NERC and particularly appropriate for those staff in posts where the banding reflects the particular contribution the individual can make.</p>
<p>6 Compliant</p> <p>The annual accounts contain a remuneration report. This is managed by the independent remuneration board. This report outlines the remuneration of the council members and senior NERC staff, including performance related bonuses. These documents are in the public domain:</p> <p><a href="http://www.nerc.ac.uk/publications/annualreport/archive.asp">http://www.nerc.ac.uk/publications/annualreport/archive.asp</a>.</p>
<p>7 Explain</p> <p>BIS does not currently assess the performance of the Chair as part of any formal</p>

evaluation. NERC is compliant in all other areas

Council members complete an annual self-assessment which is also seen by the CE and Chairman and also includes a closed session in the absence of the Chair so that Council can evaluate the Chair and CE performance. The Chair also has regular meetings with BIS and the Director General.

#### **Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

NERC has a strong and effective Council with a broad range of experience. The composition of NERC Council enables demonstrable 'ownership' of NERC by the academic and user communities. Industrial expertise on NERC Council has been strengthened with appointment of new members during 2013.

An effective scheme of delegation has been in place since 2006 to determine which business should be considered by NERC Council.

During 2012, governance arrangements were reviewed against corporate governance in central government departments: 'Code of good practice 2011'; a plan has been implemented that remedied any inconsistencies in NERC's approach cf. the Code.

#### **Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

BIS does not currently assess the performance of the Chair as part of any formal evaluation.

There are some out-dated governance documents still extant but Research Councils have taken the initiative to update these in accordance with current organisation, government guidance and best practice. These revised documents (BIS/NERC management statement, Financial Memorandum and Code of Practice for Council Members) are in the process of being finalised and we expect them to be signed off by CEOs and BIS in the near future.

## **ROLE OF THE CHAIR**

*The Chair is responsible for leadership of the board and for ensuring its overall effectiveness*

Detail of Requirement	Assessment
<p>1. The Board should be led by a non-executive Chair, whose duties, roles and responsibilities, terms of office and remuneration should be set out clearly and formally defined in writing. Terms and conditions must be in line with CO guidance and any statutory requirement.</p> <p>2. There should be a formal, rigorous and transparent process for the appointment of the Chair, which is compliant with the Code of Practice issued by OCPA. The Chair should have a role in the appointment of non-executives.</p> <p>3. the responsibilities of the Chair can include:</p> <ul style="list-style-type: none"> <li>○ representing the PO in discussions with the Secretary of State</li> <li>○ advising the Sponsor Group/the Secretary of State about board appointments and performance of non-executive members</li> <li>○ ensuring non executives understand their responsibilities; are trained appropriately and undergo annual assessments.</li> <li>○ ensure the board takes account of guidance provided by the Secretary of State; carries out its business efficiently and effectively, has its views represented to the public.</li> <li>○ develop effective working relationships with the CEO (role of Chair and CEO must be held by different individuals.)</li> <li>○ subject to an annual appraisal by the Permanent Secretary or relevant Director General</li> <li>○ appraises other board members ensuring they are performing to standard, following disciplinary procedures if necessary and ensuring they are committing the appropriate time to the work.</li> </ul>	<p>Comply</p> <p>Comply</p> <p>Explain</p>

Overall assessment of the role of the Chair	<b>Green</b>
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Evidence of compliance or explanation for non-compliance
<p>1 Compliant</p> <p>The Council has a non-executive chair who is appointed by BIS: Mr Edmund Wallis. Mr Wallis was the Chairman of W S Atkins (January 2005 - 2010) having retired from Powergen in August 2003, where his final role was that of Chairman and Chief Executive.</p>
<p>2 Compliant</p> <p>An independent public appointments assessor sits on the interview/selection panel for the chair.</p>
<p>3 Explain</p> <p>BIS does not currently assess the performance of the Chair as part of any formal evaluation. NERC is compliant in all other areas.</p> <p>NERC Council members complete an annual self-assessment which is seen by the CE and Chairman and also includes a closed session in the absence of the Chair so that Council can evaluate the Chair and CE performance. The Chair also has regular meetings with BIS and the Director General.</p> <p>The responsibilities of the chair are laid out in the code of practice and in the BIS/NERC management statement, which are available in the public domain:</p> <ul style="list-style-type: none"> <li>• <a href="http://www.nerc.ac.uk/about/work/boards/council/codeofpractice.asp">http://www.nerc.ac.uk/about/work/boards/council/codeofpractice.asp</a></li> <li>• <a href="http://www.nerc.ac.uk/about/work/boards/documents/mgt_statement05.pdf">http://www.nerc.ac.uk/about/work/boards/documents/mgt_statement05.pdf</a></li> </ul> <p>These include:</p> <ul style="list-style-type: none"> <li>• The Chair of Council has particular responsibility for providing effective strategic leadership on matters such as: <ul style="list-style-type: none"> <li>• formulating Council's strategy for discharging its mission as given by the objects in its Royal Charter;</li> <li>• ensuring high standards of propriety, and promoting the efficient and effective use of staff and other resources throughout NERC;</li> <li>• ensuring that Council takes proper account of guidance provided by the</li> </ul> </li> </ul>

Secretary of State for Business, Innovation and Skills or the BIS Knowledge and Innovation Group in reaching decisions;

- representing the views of Council to the general public;
- providing a regular assessment of performance of individual Council members.
- The Chair ensures that Council meets at regular intervals throughout the year and that the minutes of meetings accurately record the decisions taken and, where appropriate, the views of individual Council members.
- The Chair is formally responsible to the Secretary of State for Business, Innovation and Skills.

#### **Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

- . Appointments are made in accordance with OCPA Code of Practice.
- The role of the Chair is set out clearly in governance documentation.
- Regular meetings take place between the Chair and Chief Executive.

#### **Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

BIS does not currently assess the performance of the Chair as part of any formal evaluation.

A new NERC Chair will be appointed by BIS wef 1 January 2014. An induction process will be carried out in early 2014 to build knowledge of NERC's business. There are some out-dated governance documents still extant but Research Councils have taken the initiative to update these in accordance with current organisation, government guidance and best practice. These revised documents (BIS/NERC management statement, Financial Memorandum and Code of Practice for Council Members) are in the process of being finalised and we expect them to be signed off by CEOs and BIS in the near future

## **ROLE OF THE CHIEF EXECUTIVE OFFICER (CEO)**

*The CEO is responsible for leadership of the PO and for ensuring its overall effectiveness*

Detail of Requirement	Assessment
<p>1. The PO should be led by a CEO, whose duties, roles and responsibilities, terms of office and remuneration should be set out clearly and formally defined in writing. Terms and conditions must be in line with CO guidance and any statutory requirement</p> <p>2. There should be a formal, rigorous and transparent process for the appointment of the CEO.</p> <p>3. the responsibilities of the CEO can include the responsibilities of the Accounting Officer, the Consolidation Officer and Principal Officer for Ombudsman which involve:</p> <ul style="list-style-type: none"> <li>○ Overall responsibility for the PO's performance, accounting for any disbursements of grant to the PO.</li> <li>○ Establish the PO's corporate and business plans and departmental targets.</li> <li>○ Inform the Ministry of Justice of any complaints about the PO accepted by the Ombudsman for investigation if applicable.</li> <li>○ Management of senior staff within the PO ensuring they are meeting objectives and following disciplinary procedures if necessary</li> <li>○ Maintains accounting records that provide the necessary information for the consolidation if applicable.</li> <li>○ (Details of accounting officer covered under 10: Effective Financial Management.)</li> </ul>	<p>Comply</p> <p>Comply</p> <p>Comply</p>
Overall assessment of the role of the CEO	<b>Green</b>

### Evidence of compliance or explanation for non-compliance

#### 1 Compliant

The role and responsibilities of NERC's CE are described in the letter of appointment and are also included in the BIS/NERC management statement, which is in the public domain: [http://www.nerc.ac.uk/about/work/boards/documents/mgt\\_statement05.pdf](http://www.nerc.ac.uk/about/work/boards/documents/mgt_statement05.pdf)

#### 2 Compliant

The Department operates a fair and open process for the appointment of a CEO which essentially follows the same procedure as an OCPA regulated recruitment. Although there is no OCPA public appointments assessor involved there is always an independent panel member. For CEOs the appointment panel is chaired by the Director-General Knowledge and Innovation and includes the Director Research Base, the Chair of the Research Council and an independent panel member.

#### 3 Compliant

The CE has responsibilities as Accounting Officer, Principal Officer for Ombudsman cases and Consolidation Officer, laid out in the letter of appointment and the BIS/NERC management statement, which is in the public domain: [http://www.nerc.ac.uk/about/work/boards/documents/mgt\\_statement05.pdf](http://www.nerc.ac.uk/about/work/boards/documents/mgt_statement05.pdf).

### Strengths identified by the Research Council and sponsor body, and considered by the Review Team

Roles and responsibilities of the Chief Executive are set out clearly in governance documentation.

### Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team

There are some out-dated governance documents still extant but Research Councils have taken the initiative to update these in accordance with current organisation, government guidance and best practice. These revised documents (BIS/NERC management statement, Financial Memorandum and Code of Practice for Council Members) are in the process of being finalised and we expect them to be signed off by CEOs and BIS in the near future.



## **ROLE OF THE NON-EXECUTIVE BOARD MEMBERS**

*As part of their role, non-executive board members provide independent and constructive challenge*

Detail of Requirement	Assessment
<p>Non-executive members should:</p> <ol style="list-style-type: none"> <li>1. Form the majority of the board.</li> <li>2. Be appointed under a formal, rigorous and transparent process compliant with the code of practice issued by OCPA.</li> <li>3. Have their duties, roles and responsibilities, terms of office and remuneration set out clearly and formally defined in writing. Their terms and conditions must be in line with CO guidance and any statutory requirement.</li> <li>4. be independent of management</li> <li>5. Allocate sufficient time to the board with details of their attendance published.</li> <li>6. Undergo proper induction, and appraisals.</li> <li>7. their responsibilities include: <ul style="list-style-type: none"> <li>○ Establishing strategic direction of the PO and oversee development and implementation of strategies, plans, priorities and performance/financial targets.</li> <li>○ Ensuring the PO complies with statutory and administrative requirements on the use of public funds and operates within its statutory and delegated authority.</li> <li>○ That high standards of corporate governance are observed.</li> </ul> </li> </ol>	<p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p>

Overall assessment of the role of non-executive directors	<b>Green</b>
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<b>Evidence of compliance or explanation for non-compliance</b>
<p>1 Compliant</p> <p>Non-executive directors form the majority of the Council’s Board (known as the Council). Membership is published:  <a href="http://www.nerc.ac.uk/about/work/boards/council/members.asp">http://www.nerc.ac.uk/about/work/boards/council/members.asp</a></p>
<p>2 Compliant</p> <p>Council members are appointed by BIS.</p>
<p>3 Compliant</p> <p>Council member’s role and responsibilities, term of office, remuneration and other terms and conditions are set out in the letter offering appointment, including the accompanying Code of Practice.</p>
<p>4 Compliant</p> <p>Council members are independent of any management structures and appointed independent of the management, by BIS.</p>
<p>5 Compliant</p> <p>Council member attendance is published within the governance statement in the Annual Report, which is in the public domain:  <a href="http://www.nerc.ac.uk/publications/annualreport/">http://www.nerc.ac.uk/publications/annualreport/</a></p>
<p>6 Compliant</p> <p>Council members have induction days where the new Council members have their roles and responsibilities explained including the requirements to comply with codes of practice and expenses policies. Council members are expected to familiarise themselves with the council members handbook</p>

## 7 Compliant

The handbook for council members outlines the responsibilities which include:

- ensuring that high standards of corporate governance are observed at all times;
- establishing the overall strategic direction of NERC within the policy and resources framework agreed with the Secretary of State for Business, Innovation and Skills;
- overseeing the delivery of planned results by monitoring performance against agreed strategic objectives and targets;
- ensuring the Council operates within the limits of its Royal Charter and any delegated authority agreed with the BIS Knowledge and Innovation Group, and in accordance with any other conditions relating to the use of public funds;
- ensuring that, in reaching decisions, Council has taken into account any guidance issued by the BIS Knowledge and Innovation Group.

A copy of the handbook is available on Council members' secure website.

### **Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

- Appointments managed by BIS i.e. independent of NERC.
- Appointments made in accordance with OCPA Code of Practice.
- Role and responsibilities of Council members set out clearly in governance documentation.

### **Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

- Induction review planned for September 2013 ie ahead of session planned for new Council members.
- Options for 2015 independent effectiveness evaluation being considered as part of learning lessons from other Research Councils.
- There are some out-dated governance documents still extant but Research Councils have taken the initiative to update these in accordance with current organisation, government guidance and best practice. These revised documents

(BIS/NERC management statement, Financial Memorandum and Code of Practice for Council Members) are in the process of being finalised and we expect them to be signed off by CEOs and BIS in the near future.

## ***EFFECTIVE FINANCIAL MANAGEMENT***

*The PO has taken appropriate steps to ensure that effective systems of financial management and internal controls are in place*

<b>Detail of Requirement</b>	<b>Assessment</b>
1. publish on time an objective, balanced and understandable annual report which complies with Treasury guidance, and includes an Annual Governance Statement;	Comply
2. comply with NAO requirements relating to the production and certification of their annual accounts;	Comply
3. have effective systems of risk management as part of their systems of internal control;	Comply
4. ensure an effective internal audit function is established which operates to Government Internal Audit Standards in accordance with CO guidance;	Comply
5. have appropriate financial delegations in place understood by all relevant staff and stakeholders. effective systems must be in place to ensure compliance with these delegations and the systems are regularly reviewed;	Comply
6. have anti-fraud and anti-corruption measures in place, and clear published rules governing claiming of expenses, with systems in place to ensure compliance. Information on expenses claimed by board members and senior staff should be published;	Comply
7. establish an audit (or audit and risk) committee with responsibility for independent review of the systems of	Comply

<p>internal control and external audit process;</p> <p>8. take steps to ensure objective and professional relationship is maintained with external auditors.</p> <p>9. comply with BIS guidance with regard to any department restrictions on spending.</p> <p>10. report to Corporate Finance with management accounts and Grant In Aid authorities</p>	<p>Comply</p> <p>Comply</p> <p>Comply</p>
<p>Overall assessment of effective financial management</p>	<p><b>Green</b></p>

<p><b>Evidence of compliance or explanation for non-compliance</b></p>
<p>1. Compliant</p> <p>The Annual Report and NAO approved accounts are published on the website: <a href="http://www.nerc.ac.uk/publications/annualreport/">http://www.nerc.ac.uk/publications/annualreport/</a>. This contains the governance statement by the CEO (AO).</p>
<p>2. Compliant</p> <p>The annual accounts have been certified by the national audit Office without qualification</p>
<p>3. Compliant</p> <p>NERC’s audit committee has recently changed its title to Audit and Risk Assurance Committee (ARAC) with updated Terms Of Reference (<a href="http://www.nerc.ac.uk/about/work/boards/audit/tor.asp">http://www.nerc.ac.uk/about/work/boards/audit/tor.asp</a>) to emphasise its role in risk management</p> <p>Risks are identified, mitigated and monitored within NERC via a Risk Register that is</p>

reviewed every two months by ARAC and routinely by the NERC Executive Board and NERC Council. See the data archive for NERC's top risks (drawn from the more detailed and extensive risks registers held within each business unit of NERC).

Internal audit staff are present at ARAC discussions on the risk register.

The NERC Risk Management Framework was audited by Audit and Assurance Services Group in July 2013 and given Substantial Assurance.

#### 4. Compliant

NERC uses the Research Council Audit and Assurance Services Group which operates to Government Internal Audit Standards.

A regular programme of audits exists that are approved by NERC's Audit and Risk Assurance Committee (ARAC), which covers the risk management and the aspects of NERC's operation identified in the corporate risk register and risk logs. ARAC reports on its operation and the membership and meeting schedules are in the public domain: <http://www.nerc.ac.uk/about/work/boards/audit/>

#### 5. Compliant

Procurement delegation to authorise expenditure is provided via the CE to Centre Directors and cascaded downwards as appropriate to the business needs of the organisation.

Procurement activity up to set levels (generally £25k) for NERC is provided by the UK SBS via the Oracle self-service system, which has an Approvals Management Engine (AME) built into the system. This provides staff with authority to undertake purchases up to £5k on self-authorisation basis. Above this level, AME routes the request to the relevant budget holder/line manager for approval.

Commercial contracts operate on a different delegation process as these are off system. Research Centres and Head Office have specific named staff with delegated authority to sign commercial contracts on behalf of NERC.

Financial rules are maintained and regularly updated via a series of policy notices.

#### 6. Compliant

NERC has both anti-fraud policies and expenses policies. Expenses policies for staff are published in the relevant staff codes. Expenses policies for Council members are published on their secure website.

NERC staff all fall under the level normal used for reporting expenses.

7. Compliant
NERC has an Audit and Risk Assurance Committee (ARAC) which has external membership, details can be found on the website: <a href="http://www.nerc.ac.uk/about/work/boards/audit/">http://www.nerc.ac.uk/about/work/boards/audit/</a>
8. Compliant
There are regular and constructive discussions with the NAO.
9. Compliant
NERC complies with the BIS guidance in relation to spending controls including those introduced by the Cabinet Office in areas such as consultancy and marketing. This is regularly discussed with the BIS-Research Base team
10. Compliant
NERC has regular contact with the BIS Corporate and Research Base Finance teams and complies with the requirements for the submission of regular management accounts.

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

NERC's Risk Management system is a core strength. It has been fully integrated across NERC and is used to inform business decisions. We are looking to improve it further by documenting the sources of risk mitigation within the risk management and business performance tool (STAR) to enable other managers and the audit committee to provide challenge and assurance that appropriate risk mitigation action plans exist.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

An area NERC plan's to improve is the accessibility of the Finance Policy Notices. NERC aims to provide greater support to staff to help them optimise use of the Self-Service finance transactions delivered through the shared service provider UK-SBS.

## COMMUNICATION AND ENGAGEMENT

*The Public Body is open, transparent, accountable and responsive*

Detail of Requirement	Assessment
<p>The PO should:</p> <ol style="list-style-type: none"> <li>1. establish clear and effective channels of communication with stakeholders;</li> <li>2. make an explicit commitment to openness in all activities. Engage and consult with public on issues of public interest or concern and publish details of senior staff and board members with contact details;</li> <li>3. hold open board meetings or an annual open meeting;</li> <li>4. proactively publish agendas, minutes of board meetings and performance data;</li> <li>5. establish and publish effective correspondence handling and complaint procedures, and make it simple for members of the public to contact them/make complaints. Complaints should be investigated thoroughly and be subject to investigation by the Parliamentary Ombudsman. Performance in handling correspondence should be monitored and reported on;</li> <li>6. comply with any Government restrictions on publicity and advertising, with appropriate rules in place to limit use of marketing and PR consultants. Have robust and effective systems in place to ensure the PO is not engaged in political lobbying, includes restriction on board members attending Party Conferences in a professional capacity.</li> <li>7. engage the Sponsor Group appropriately especially in instances where events may have reputational implications on the department.</li> </ol>	<p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p>



Overall assessment of communications

**Green****Evidence of compliance or explanation for non-compliance****1 Compliant**

Effective stakeholder communication and public engagement are strategic priorities for the NERC communications function. The council is working on producing an overarching communication strategy based on the high level communications strategic priorities that are included in the data archive. For the majority of corporate and policy issues, an individual communications plan is prepared, identifying different stakeholder audiences, relevant messages and the channels through which they will be targeted.

Communication with stakeholders is digital by default, utilising the NERC website, social media and partner's platforms. Proactive and reactive media, national, local, trade and specialist are utilised as appropriate. In addition we use corporate events to target specific stakeholder groups.

Public engagement is regarded as a distinct stakeholder engagement activity guided by the NERC strategy for Public Engagement with Research <http://www.nerc.ac.uk/about/work/engagement/documents/nerc-per-strategy.pdf>. Much of NERC's public engagement is delivered through its Research Centres. In addition some aspects of the NERC's communications and the significant proportion of NERC's investment in public engagement activities are coordinated at/delivered through RCUK.

**2 Compliant**

NERC has committed itself to openness in all its activities:  
<http://www.nerc.ac.uk/about/work/policy/openness.asp>

The NERC website contains information targeted at a range of audiences.

NERC is in the process of rationalising and refreshing the NERC website <http://www.nerc.ac.uk/> better to meet the needs of our diverse stakeholders while also implementing a web structure common to all research councils to improve user experience. Information about senior staff and council members is published on the website and in the Annual Report.

NERC holds discussions with a range of stakeholders, including the general public about its forward strategies and activities, through both open and invitation-only meetings and through online engagement <http://www.nerc.ac.uk/about/consult/> . For

example, NERC is currently consulting a wide range of stakeholders on its draft strategy, and the Council has recently issued an open Call for Evidence in relation to its consideration of the Ownership and Governance of its Research Centres.  
<http://www.nerc.ac.uk/about/consult/centre-governance.asp>

### 3 Compliant

Members of the NERC Executive hold an open community meeting in a different part of the UK each year, with the objective of engaging with its key stakeholders (including the general public) on issues funding policy and strategy. Research priorities are actively debated at these meetings enabling stakeholders to influence the development of strategic research programmes. The most recent community meeting was held in November 2012 at which attendees were presented with the emerging themes of NERC's new Strategy: The Business of the Environment, which was then the subject of an open discussion. For further information see: <http://www.nerc.ac.uk/events/121120/>. These meetings are just one mechanism for consultation with stakeholders.

NERC does not, at present hold open Council meetings. Such meetings in the past have been poorly attended and NERC has found that there is much better engagement of stakeholders in its open community meetings, which are attended by a number of Council members in addition to the NERC Executive.

### 4 Compliant

The agendas of the council meetings are published:  
<http://www.nerc.ac.uk/about/work/boards/council/meetings.asp>. There is a current cross-Council discussion as to exactly what all Research Councils will publish and NERC will conform once that decision is made.

In addition NERC publishes a range of additional documents including delivery plans, impact reports, strategic plans and annual reports that highlight provide an overview of plans and performance:

- Annual Reports and Accounts:  
[http://www.nerc.ac.uk/publications/annualreport/delivery plans:](http://www.nerc.ac.uk/publications/annualreport/delivery%20plans/)  
<http://www.nerc.ac.uk/about/perform/documents/deliveryplan201012.pdf>
- NERC / BIS scorecard:  
<http://www.nerc.ac.uk/about/perform/documents/scorecard20112015.pdf>
- strategic plan (the new strategy will be published at the end of 2013):  
<http://www.nerc.ac.uk/about/strategy/ngscience.asp>
- annual Impact Report:  
<http://www.nerc.ac.uk/about/perform/documents/impactreport2012.pdf>

In addition, NERC developed and introduced the Strategic Management Tool (SMT) to

help it capture and report performance data and information. The SMT combines how they deliver the NERC strategy with how they monitor and manage performance across all of NERC's activities. It enables NERC's decision-making and advisory bodies to identify the key pieces of information that, when considered together, give a picture of the organisation's overall performance against strategy. From this we can identify where they need to improve NERC's future performance and identify any changes that need to be made.

The information from the SMT is used to fulfil NERC's external reporting requirements, including reporting progress on the NERC Delivery Plan and Scorecard for the Department for Business, Innovation & Skills (BIS), and the annual Impact Report. This allows NERC to demonstrate that we have effectively and efficiently invested public funds that contribute to the UK economy, policy and society, and internationally.

The SMT also helps to identify where specific evidence is needed to inform decision-making. This evidence is usually delivered through NERC's evaluation activities including citations studies. Details can be found at:  
<http://www.nerc.ac.uk/about/perform/recent-eval.asp>

#### 5 Compliant

NERC has a formal complaints procedure including designated complaints officers who handle the requests; these procedures are outlines on the website:  
<http://www.nerc.ac.uk/about/foi/complaints.asp>

No FOI requests have been referred to the Information Commissioner's Office. There were six internal review requests in 2012 and three so far in 2013.

#### 6 Compliant

NERC has complied with central government spending control requirements on publicity and advertising. It avoids engagement in political lobbying and has regularly informed its council members and staff on the restrictions on participation in Party Conferences.

#### 7 Compliant

NERC has robust engagement with its sponsorship team in the BIS Research Base and the BIS communication specialists on communications matters particularly where there are potential reputational issues. Examples of engagement include:

- 6-monthly performance review between the NERC CE and directors and BIS RB senior managers
- Regular meetings at many levels (CE, directors, senior managers)
- Quarterly update meetings between NERC managers and the BIS / NERC policy lead.

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

Planet Earth magazine and Planet Earth Online are recognised as excellent channels for science communication, covering the full breadth of NERC-funded science. They are aimed at a broad audience which includes researchers, stakeholders and the public, and are supplemented by use of social media to highlight science news and public engagement activities.

NERC delivers training to NERC-funded researchers to enable them effectively to communicate and engage the public in their research. The feedback on this training is very positive.

NERC has a strong business performance management framework (Strategic Management Tool (SMT)) and scorecard) that drives performance reporting externally to BIS and internally to NERC Boards. Business performance managements are regularly reviewed and updated to meet internal and external needs. The next review will take place towards the end of 2013 with a view to implementing a new approach at the beginning of financial year 2014.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

NERC recognises the need to improve the coordination and planning of its stakeholder engagement activities. A high level communications strategy will be developed together with stakeholder engagement plans for key groups of stakeholders. There is a current cross-Council discussion as to exactly what Board meeting documentation all Research Councils will publish and NERC will conform once that decision is made

## **CONDUCT AND PROPRIETY**

*The board and staff of the PO work to the highest personal and professional standards. They promote the values of the PO and of good governance through their conduct and behaviour*

Detail of Requirement	Assessment
1. a Code of Conduct must be in place setting out the standards of personal and professional behaviour and propriety expected of all board members which follows the CO Code and form part of the terms and conditions of appointment;	Comply
2. the PO has adopted a Code of Conduct for staff based on the CO model Code and form part of the terms and conditions of employment;	Explain
3. there are clear rules and procedures in place for managing conflicts of interest. There is a publicly available Register of Interests for board members and senior staff which is regularly updated;	Comply
4. there are clear rules and guidelines in place on political activity for board members and staff with effective systems in place to ensure compliance with any restrictions;	Comply
5. there are rules in place for board members and senior staff on the acceptance of appointments or employment after resignation or retirement which are effectively enforced;	Explain
6. Board members and senior staff should show leadership by conducting themselves in accordance with the highest standards of personal and professional behaviour and in line with the principles set out in respective Codes of Conduct.	Comply
Overall assessment of conduct and propriety	<b>Green</b>

## Evidence of compliance or explanation for non-compliance

### 1 Compliant

The code of practice for Council members is available in the public domain:  
<http://www.nerc.ac.uk/about/work/boards/council/codeofpractice.asp>

The handbook for council members is available to all members on their secure web site.

There are some out-dated governance documents still extant but Research Councils have taken the initiative to update these in accordance with current organisation, government guidance and best practice. These revised documents (BIS/NERC management statement, Financial Memorandum and Code of Practice for Council Members) are in the process of being finalised and NERC expects them to be signed off by CEOs and BIS in the near future.

### 2 Explain

Policies for NERC staff and line managers are available internally through the UKSBS service delivery knowledge base. These policies are subject / issue specific and also set-out personal and professional standards and conduct and behaviour. For example, policies include ethics, whistle blowing, leaving work, attendance and dignity at work, plus many others.

In addition, NERC has introduced 'the Deal'. The Deal guide is intended to assist Council staff working within all the various parts of NERC to understand the basis of the relationship they have with the organization that employs them and the community that they form part of.

### 3 Compliant

Guidance on conflicts of interest for Council members is provided in the Code of Practice issued with the letter offering appointment. Council members declared interests are published on the public data section of the website:  
<http://www.nerc.ac.uk/about/work/boards/council/interests.asp>

For NERC staff, conflict of interest is covered in two policy documents

- Conflicts of interest – Commercialisation Activities
- NERC conduct of staff of Executive Non Departmental Bodies

### 4 Compliant

The Council members Code of Practice

(<http://www.nerc.ac.uk/about/work/boards/council/codeofpractice.asp>), which accompanies the letters offering appointment to the Council, provides guidelines on political activity. Council members are reminded of appropriate guidance whenever this is issued by Cabinet Office.

For NERC staff the issue of political impartiality is covered in the following policy documents:

- Conduct of Staff of Executive Non Departmental Bodies
- Participation in Official or Political Activities

#### 5 Explain

Guidance covering acceptance of employment etc after resignation or retirement for staff are set out in the NERC policies on Conduct of Staff of Executive Non Departmental Bodies and Leaving Work, which are brought to the attention of staff on joining NERC.

#### 6 Compliant

The council members Code of Practice (<http://www.nerc.ac.uk/about/work/boards/council/codeofpractice.asp>), which accompanies the letters offering appointment to the Council, makes it clear that individual Board members should be aware of their conduct and wider responsibilities as members of the Board and that they should follow the Nolan Committees “Seven Principles of Public Life”.

NERC has added to the Nolan Principles by establishing a NERC ethical policy which covers

- Relationships with others
- Its work activity
- Impact on the environment

Directors are required to report annually on any ethical activities using the Directors Annual Statement on Internal Control ( DASIC)

### **Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

Reminder of need to comply with conduct policies added to every Council agenda. Reference documentation always available on secure members’ website.

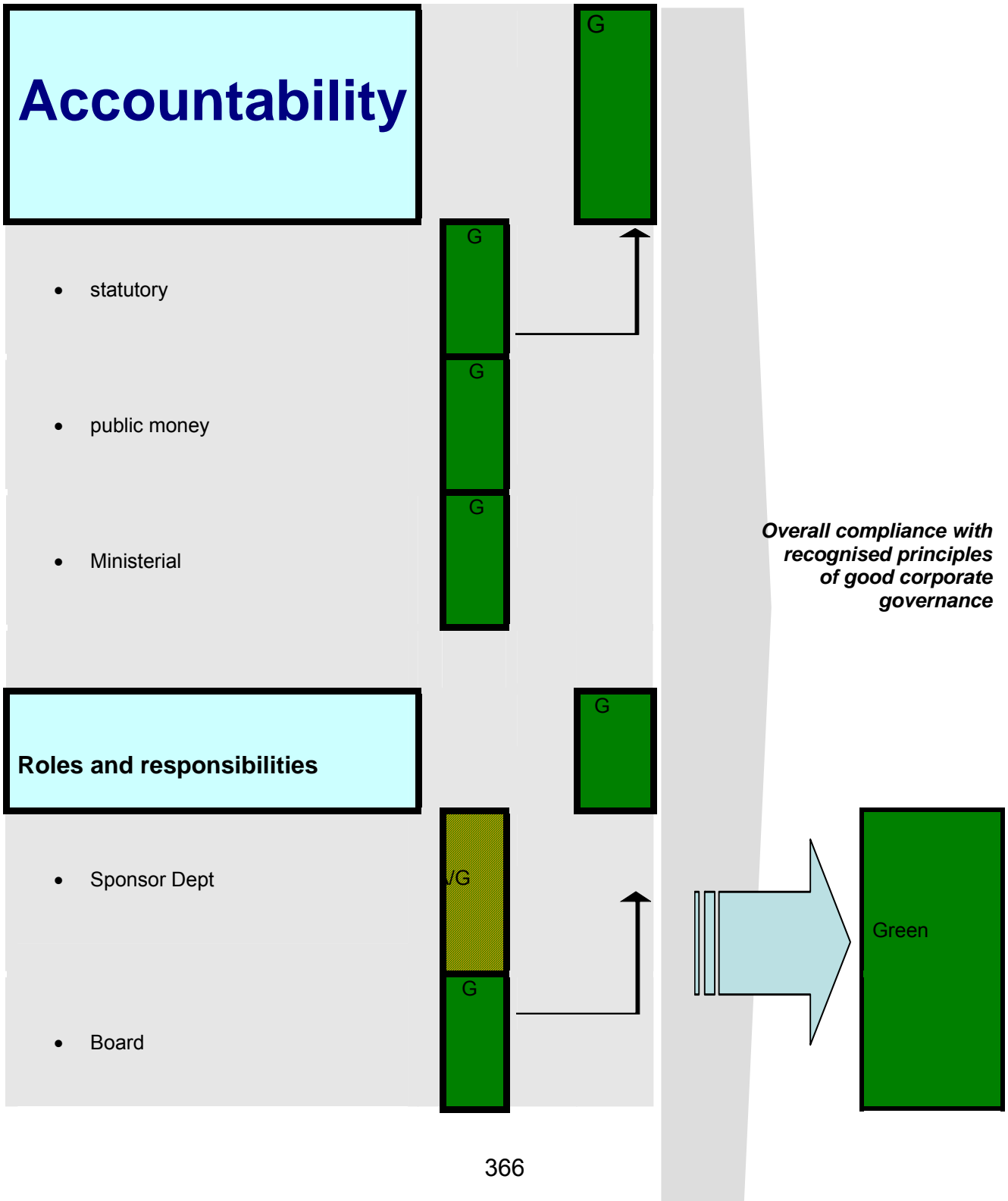
**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

There are some out-dated governance procedures still extant but Research Councils have taken the initiative to update these in accordance with current organisation, government guidance and best practice. These revised procedures and documents (BIS/NERC management statement, Financial Memorandum and Code of Practice for Council Members) are in the process of being finalised and we expect them to be signed off by CEOs and BIS in the near future. This will also include consideration of any necessary rules for board members and senior staff on the acceptance of appointments or employment after resignation or retirement and how to enforce them.



# Annex M: Detailed Assessment – STFC

## SUMMARY ASSESSMENT



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<ul style="list-style-type: none"><li>• Chair</li><li>• CEO</li><li>• NEDS</li></ul>	G	
	G	
	G	
<b>Effective financial management</b>		G
<b>Communication</b>		G
<b>Conduct and behaviour</b>		G

## STATUTORY ACCOUNTABILITY

*Does the public body comply with all applicable statutes and regulations and other relevant good practice?*

Detail of Requirement	Assessment
<p>The PO:</p> <ol style="list-style-type: none"> <li>1. complies with all statutory and administrative requirements on the use of public funds (inc HMT Managing Public Money, and CO/HMT spending controls);</li> <li>2. operates within the limits of its statutory authority and in accordance with delegated authorities agreed with BIS;</li> <li>3. operates in line with statutory requirements for the Freedom of Information Act;</li> <li>4. has a comprehensive publication scheme;</li> <li>5. proactively releases information that is of legitimate public interest;</li> <li>6. Produces annual reports and accounts which are laid before Parliament</li> <li>7. complies with data protection legislation;</li> <li>8. complies with Public Records Acts 1958 and 1967.</li> </ol>	<p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p>

Overall assessment of statutory accountability	<b>Green</b>
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### Evidence of compliance or explanation for non-compliance

#### 1 Compliant

The STFC [Royal Charter](#) provides the statutory basis for the organisation's work and the resources which Parliament provides. All activities undertaken by STFC are in accordance with the Charter and adopted [Corporate Strategy](#) 2010-20.

The translation of the Strategy into planned activity at an operational level is through a medium term [Delivery Plan](#) and Scorecard which aligns to the current spending review period ending in 2015 and budget allocations made through BIS. The following paragraphs illustrate how STFC complies with statutory and administrative requirements in its stewardship of the public money it manages.

The [STFC Annual Report & Accounts](#) for 2012-13 and previous years are available on the website. The National Audit Office (NAO) act as STFC external auditors and gave the 2011-12 and 2012-13 accounts an unqualified audit opinion. The latest set of Accounts were reviewed by STFC Audit Committee, in support of Council, at its meeting on the 27 June 2013. Audit Committee recommended to Council and the Chief Executive that the Annual Report and Accounts should be signed as a true and fair view of STFC's activities. The Audit Committee annual report to Council was presented on 16 July 2013.

Accounting procedures are audited through the RCUK Audit and Assurance Services Group (AASG) and overall opinion is reflected in the Director of Internal Audit's (DIA) Annual Report to the STFC Accounting Officer. The STFC Audit Committee review the output from the STFC assurance framework including:

- DIA's Annual Report to Accounting Officer;
- NAO Audit Completion Report;
- The Annual Governance Statement (contained within the [STFC Annual Report & Accounts](#)).

These documents, and the approach adopted by STFC, demonstrate compliance with statutory and administrative requirements on the use of public funds. In addition, a recent assessment by Deloitte, on instructions from BIS, assessed STFC's financial management capability and concluded that it was robust and had improved substantially since STFC was formed in 2007. The majority of current financial management performance was found to fall within the "advanced" category of

Deloitte's financial maturity model.

## 2 Compliant

The Research Councils delegated authorities are laid out in a letter of delegation sent to each Chief Executive by BIS. Compliance with the letter is demonstrated through the published annual accounts, which are subject to external audit by the NAO. The audit exercise includes an assessment of whether STFC has operated within its delegated authorities.

STFC's approach and rules on Delegation are set out in full on the STFC intranet which is accessible by all staff. These include tables which use a structured approach to clarify where Council, Executive Board or BIS engagement is required. This therefore reflects matters specifically reserved for Council or where Council consultation is required. The "RACI" approach, as it is known within STFC, is summarised below:

1. **Responsible:** The person who leads on the activity and oversees the management of the task/activity or does the work.
2. **Accountable:** The person, or group, who is ultimately accountable for the satisfactory completion of the task.
3. **Consult:** In some circumstances the function may dictate where a specific authority lies (e.g. financial or legal or Council and CEO). Thus those that need to provide approval in a specific context (e.g. financial or legal) must be consulted and this input evidenced.
4. **Inform:** Those who will be impacted by the decision and may have to do something differently as a result.

These RACI principles provide a high level guide as to where the internal decision making should lie. Where BIS, HMT or Cabinet Office limits or other measures exist, the table reflects the internal assessment and routing of decisions to these groups and helps prevent any activity outside statutory authority or delegated authorities. This framework is currently under review and updated tables will be published soon.

## 3 Compliant

In accordance with the Freedom of Information Act, STFC publishes a FoI [Publication Scheme](#) on its website. The website provides guidance on how to make a FoI request, information about the Act itself, appropriate STFC and Information Commissioner contact points and details of FoI requests submitted by others.

In 2012-13 STFC dealt with 26 requests for information under the Act and responded to 25 within the statutory time period. STFC has in place a staff Guide to FOI which is reviewed annually.

A cross-Research Council Freedom of Information Audit in 2011-12 (Ref. CCA02-1112) gave a Substantial Assurance rating.

## 4 Compliant

The STFC [Publication Scheme](#) is accessible on the website. It is a Royal Charter objective to disseminate information about STFC's work and 3.5 below illustrates some of the wide range of publications made available.

## 5 Compliant

STFC proactively provides a wide range of information about its activities:

- Directly to academic communities through regular “Town Meetings” with specialist groupings such as the Astronomy Forum;
- Through the work of the Science Board and other advisory panels;
- Through public e-mail newsletters such as [Fascination](#);
- To the public and academia through a recently re-launched [website](#);
- To researchers and others through access to their full list of [research grants](#);
- To university partners through regular strategic meetings, and;
- To the public through a wide range of [printed publications](#) and a wide ranging [public engagement programme](#).

With regard to releasing research information, RCUK has an agreed policy on [open access](#) which will improve public access to the outputs of publicly funded research. STFC is actively working with RCUK to ensure that the Gateway to Research initiative will permit easier on-line access to previously published research. This will go live in 2013-14.

## 6 Compliant

Working with the NAO and BIS, [STFC Annual Report & Accounts](#) are routinely laid before parliament. Copies of the last four years accounts are available through the website.

## 7 Compliant

STFC has a nominated corporate Data Protection Officer and maintains its [registration](#) with the ICO. A staff Guide to Data Protection is available through the intranet. In addition, there is access to training and an introduction to information management principles which, together, form part of the induction process for new starters. Each Department has a nominated data protection contact point and there is currently a cross-Council audit on data protection taking place which is due to report later in the year.

## 8 Compliant

STFC is not a Public Records Body but complies with many of the requirements of the Acts. A draft Record Management Policy has been prepared, although this has not yet been considered by Executive Board. STFC has a nominated Records Officer and appropriate record retention schedules are in place. The lack of an adopted policy is, strictly speaking, outside the relevant Code of Practice which guides implementation of

the Acts, but this is not a breach of a legal requirement.

### **Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

Overall framework for statutory accountability is sound and, in terms of financial accountability, has been independently verified.

### **Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

Draft STFC Records Management Policy not yet adopted. This will be achieved by December 2013; Review of STFC delegation tables is not yet complete. This will be achieved by October 2013.

## **ACCOUNTABILITY FOR PUBLIC MONEY**

*The Accounting Officer of the PO is personally responsible and accountable to Parliament for the use of public money by the body and the stewardship of assets*

Detail of Requirement	Assessment
1. there is a formally designated Accounting Officer (AO) who in particular has a responsibility to provide evidence-based assurances required by the Principal Accounting Officer (PAO);	Comply
2. the role, responsibilities and accountability of the AO should be clearly defined and understood and the AO should have received appropriate training;	Comply
3. the PO should be compliant with requirements set out in Managing Public Money, relevant Dear Accounting Officer letters and other directions;	Comply





## 2 Compliant

The role, responsibilities and accountability of the Accounting Officer are clearly defined and following his appointment the Chief Executive attended “An Introduction to Public Accountability for Chief Executives” run by the National School of Government. Within STFC, the [Management Statement](#), [Financial Memorandum](#) and [Council Code of Practice](#) set out accountabilities. Updated versions are currently under review by STFC Council and will be sent to BIS for final approval. The new documents have been developed in concert with the other Research Councils.

The work of the Accounting Officer is supported by the STFC Executive Director Finance and this input is vital if financial control and good governance is to be maintained at the highest level. STFC currently has an interim Executive Director carrying out this role and is recruiting a permanent replacement.

## 3 Compliant

Each audit in the Audit and Assurance Service Group programme, and all NAO audits, use Managing Public Money and Dear Accounting Officer letters as benchmarks to assess compliance. At the highest level, any instances of non-compliance would be drawn out in the following:

- Director of Internal Audit’s Annual Report to Accounting Officer;
- NAO Management Letter;
- the Annual Governance Statement.

No issues of non-compliance have been brought to STFC’s attention and no issues were highlighted within the BIS commissioned Financial Management review carried out by Deloitte.

## 4 Compliant

Research Councils have multiple arrangements in place to ensure the good use of public funds at the individual Research Council level. The Governance Statement within the Annual Report and Accounts sets out, at a high level, the arrangements in place to ensure that public funds are safeguarded and used economically, efficiently and effectively.

In 2011-12 and 2012-13 the STFC accounts had an unqualified audit opinion. The Comptroller and Auditor General, in reviewing the Annual Report and Accounts, is required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded by the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

As previously outlined, the STFC Accounting Officer has delegated authority laid down by BIS. STFC’s approach and rules on delegation for staff are set out in full on the intranet. There is a suite of supporting information available through the governance

pages published on its staff intranet and the STFC Governance Manual sets this in context. The Manual deals with related issues including stewardship, regularity, propriety etc., underpinning the various detailed financial policies and conditions of employment which STFC has in place.

This approach provides confidence that STFC has appropriate arrangements in place for managing public money, but there are three areas where improvements have been identified that could be made to existing governance arrangements to ensure even greater effectiveness. These are explained in more detail below:

a) Modifying the way the Large Facilities Steering Group operates

Following CSR2010, BIS requested that the seven Research Councils develop a new model to oversee the allocation of funding for STFC's UK-based large science facilities. The Large Facilities Steering Group (LFSG) was designed to ensure that STFC develops and operates the large facilities in accord with Research Councils' scientific priorities and that funding is used to best effect. In its first year of operation the LFSG made good progress establishing the Research Councils' science requirements and exploring options for the operation of the UK facilities.

However, it has now become clear that the model has flaws in terms of its accountability and transparency. Notably, LFSG has no executive responsibility, and accountability for the operation and governance of UK based science facilities remains firmly within STFC. The Research Councils' interests are unevenly distributed across the facilities and the LFSG remit overlooks the research requirements of the TSB and commercial companies, international usage and contributions from other countries towards the costs of the UK facilities. It also overlooks the critical contribution of the facilities to the development of the UK's Science and Innovation Campuses at Harwell Oxford and Sci-Tech Daresbury.

The RCUK Audit and Assurances Service Group undertook an audit of the operation of LFSG in the period January-March 2013. The report recognises the limitations of the current LFSG model in terms of its governance arrangements. It therefore provides a good starting point for a review of future structures. Such a review would allow STFC to ensure that LFSG input is in balance with its corporate responsibilities and accountabilities, and in accord with the requirements of Managing Public Money.

b) Reviewing the governance model for Diamond

Another arrangement that initially worked extremely well but may now need revisiting is the governance of Diamond Light Source Ltd. While the model establishing Diamond as a separate limited company owned by STFC and Wellcome Trust has successfully delivered a world-class science facility for the UK, it also introduces some significant problems: an extra layer of management, duplication of functions, barriers to science synergies with other facilities, lack of transparency in budgeting and management, potential confusion over the role of the Board and the Shareholders, and conflicts of interest. Diamond is now classified as a public sector organisation and its accounts are consolidated with BIS, further reducing the justification for the current arrangement. For these reasons it is now timely to revisit and simplify these arrangements in order

that there are appropriate structures in place to deliver the best and most efficient use of the public funding being provided to STFC (and Diamond), and to clarify lines of accountability.

c) Improving cross-Council programmes

Research Councils work together as Research Councils UK to ensure the good use of public funds at the collective level:

- In 2006 Research Councils established RCUK Shared Service Centre Ltd. to deliver efficiency savings through providing shared back-office functions to the seven Research Councils. In 2012 the company began delivering shared services to the wider BIS family of partner organisations as UK SBS Ltd.

One role of RCUK is to establish cross-Council programmes where coordinated action by more than one Research Council is needed to address pressing research goals. However, experience has shown that the governance arrangements for such programmes are often not transparent, and there is a need to evaluate the impact of these programmes on a regular basis to be confident that they are delivering against their objectives, that appropriate financial controls are in place and that they are still delivering value for money. Further work in this area is required. Research Councils are exploring with BIS:

- Changes to the governance of RCUK Executive Group to charge the group with responsibility for delivering collective efficiency savings and transformational change across Research Councils;
- A stronger role for the BIS DG Knowledge & Innovation to enable more agile decision making within RCUK Executive Group;
- The establishment of an RCUK Chairs forum as an advisory forum on issues of governance.

These changes build on Recommendations 8 and 9 from Stage 1 of the Triennial Review of the Research Councils.

5 Compliant

[STFC Annual Report & Accounts](#) are certificated by the NAO Comptroller and Auditor General and laid before Parliament. They are available on the STFC website.

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

The overall financial control environment is sound, as demonstrated by both internal and external audits, unqualified accounts and the BIS commissioned Financial Management review carried out by Deloitte.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

1. A review of the Large Facilities Funding Model and the Steering Group's operation is required to ensure that the funding process delivers the best science outcomes for the UK, that the process is in balance with STFC's corporate responsibilities and accountabilities, and in accord with the requirements of Managing Public Money;
2. It is necessary to revisit and simplify the governance arrangements in place in respect of Diamond Light Source Ltd. in order that they deliver the best and most efficient use of the public funding being provided and that lines of accountability are clear;
3. The governance arrangements for cross Council programmes require review to be confident that they are delivering against their objectives, that appropriate oversight mechanisms are in place and that they are still delivering value for money;

## **MINISTERIAL ACCOUNTABILITY**

*The Secretary of State is ultimately accountable to Parliament and the public for the overall performance of the public body*

Detail of Requirement	Assessment
1. the Secretary of State and Sponsor should exercise appropriate scrutiny and oversight of the PO;	Comply
2. appointments to the board should be made in line with any statutory requirements and, where appropriate, with the <i>Code of Practice</i> issued by OCPA;	Comply
3. the Secretary of State will normally appoint the Chair and all non-executive board members of the PO and be able to remove individuals whose performance or conduct is unsatisfactory;	Comply

4. the Secretary of State should be consulted on the appointment of the Chief Executive and will normally approve the terms and conditions of employment;	Comply
5. the Secretary of State should meet the Chair and/or Chief Executive on a regular basis;	Comply
6. Parliament should be informed of the activities of the PO through publication of an annual report;	Comply
7. a range of appropriate controls and safeguards should be in place to ensure that the Secretary of State is consulted on key issues and can be properly held to account (e.g. Business Plan, power to require information, a general or specific power of Ministerial direction over the PO, a power for the Secretary of State to be consulted on key financial decisions.)	Comply
Overall assessment of Ministerial Accountability	<b>Green</b>

### Evidence of compliance or explanation for non-compliance

#### 1 Compliant

There are frequent Ministerial meetings with Chief Executives and Chairs on topical issues as they arise. In addition, the Minister for Universities and Science has regular (bi-monthly) meetings with the seven Chief Executives as well as regular one-to-one meetings with the Chair of Research Councils UK, and for each of the Research Councils has attended Council meetings by invitation.

Following accountability meetings with the BIS Sponsor Director and team, the Minister for Universities and Science also receives regular twice yearly updates on the performance of the Research Councils and upcoming issues and risks:

BIS Ministers are frequently involved in announcements about new Research Council developments and initiatives and there is regular and frequent communications between the Research Council and BIS comms teams.

<p>2 Compliant</p> <p>As an upper tier body, appointments to Council are required to be made in accordance with the OCPA Code of Practice. For the recruitment of Research Council Chairs the OCPA code requires an OCPA Public Appointments Assessor to chair the appointment panel and certify the overall process met the OCPA code in a final written report. There is also an independent panel member. For Council members the OCPA code requires there to be an independent panel member. At the end of the recruitment the Department certifies that the recruitment was conducted in accordance with the Code. These certificates are available. The recruitment of Chief Executives is not covered by the OCPA Code but in the spirit of fair and open recruitment the Department uses a process analogous to the OCPA Code.</p>
<p>3 Compliant</p> <p>The Secretary of State is responsible for appointing the Chair, Chief Executive and Council members. The sponsorship team is responsible for the management of appointments and submission of names to Ministers. Appointment letters note that Board Members may be removed from office by the Secretary of State on grounds of incapacity or misbehaviour or a failure to observe the terms and conditions of the appointment. Appointment letters are available.</p>
<p>4 Compliant</p> <p>The Secretary of State is responsible for the recruitment of and makes the final decision on who is appointed as Chief Executive. Terms and conditions for Chief Executives consist of an appointment letter from the Department supplemented by a further Service Contract issued by the Research Council.</p>
<p>5 Compliant</p> <p>The Minister has regular (bi-monthly) meetings with the seven Chief Executives as well as regular one-to-one meetings with the Chair of Research Councils UK, and for each of the Research Councils has attended Council meetings by invitation. This is in addition, to frequent <i>ad hoc</i> discussion with Chief Executives, Chairs and others within Research Councils, of topical issues as they arise.</p>
<p>6 Compliant</p> <p><a href="#">STFC Annual Report &amp; Accounts</a> are available through the STFC website.</p>
<p>7 Compliant</p> <p>The Research Council's Management Statement and Financial Memorandum sets out provisions for the Secretary of State to be consulted on key decisions. In 2012/13 The Department and the Councils have been updating the language and terminology used in the documents and it is planned that revised versions will be available in September 2013.</p> <p>Research Councils consult BIS Ministers on its key strategic documents, including its Delivery Plans. Decisions going beyond Research Councils' delegated financial</p>

authority are also submitted to BIS for endorsement and agreement.

BIS Ministers are frequently involved in announcements about new Research Council developments and initiatives and there are regular and frequent communications between the Research Council and BIS comms teams.

#### **Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

Very strong Ministerial engagement with the work of the Research Councils.

#### **Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

No areas for improvement identified by STFC

## ***ROLE OF THE SPONSORING GROUP***

*BIS ensures that there are robust governance arrangements with the board of each PO setting out the terms of their relationship, and how they will be put in place to promote high performance and safeguard propriety and regularity*

Detail of Requirement	Assessment
<ol style="list-style-type: none"> <li>1. The Group should scrutinise the performance of the PO. There should be appropriate systems and processes to ensure effective governance, risk management and internal control in the PO;</li> <li>2. There should be a Framework Document in place which sets out clearly the aims, objectives and functions of the PO and the respective roles and responsibilities of the Secretary of State, the Sponsoring Group and the PO. It should be regularly reviewed and updated and follow relevant CO and HMT guidance. The Framework document should include a Financial</li> </ol>	<p>Comply</p> <p>Explain</p>

<p>Memorandum as an appendix. A review of the Framework document should be carried out every three years and in line with the Triennial Review.</p> <p>3. A Sponsor should be identified and there should be regular and on going dialogue between the Sponsoring Group and the PO. Senior officials from the Sponsoring Group may as appropriate attend board and/or committee meetings.</p>	Comply
Overall assessment of the role of the Sponsoring Group	Amber/ Green

### Evidence of compliance or explanation for non-compliance

#### 1 Compliant

Overall performance and issues concerning governance and internal control in the Research Councils are reviewed as part of the formal six-monthly review meetings with the Chief Executive and senior team of each Research Council, and are as appropriate, also included in more frequent one-to-one meetings between BIS and the Chief Executive. In addition, the Research Councils provide BIS with quarterly performance and risk reports. Examples of quarterly reports and notes of accountability meetings are available. In addition, BIS is represented with observer status at Council meetings.

#### 2 Explain

A formal Management Statement sets out the roles and responsibilities of both the Research Council and the Department. A Financial Memorandum is also in place as a separate document governing the financial relationship between the Research Council and the Department. Copies are available.

In 2012/13 The Department and the Councils have been updating the language and terminology used in the documents and it is planned that revised versions will be available in September 2013. Changes may be required as a result of the outcome of the Triennial Review of the Research Councils.

#### 3 Compliant

Regular and frequent dialogue takes place between the Sponsor Team and the Research Council, in addition to six-monthly review meetings and regular one-to-one meetings between BIS and the Chief Executive.



The Sponsor team has senior official representation as an observer at Council meetings with Jeremy Clayton (Director) / Graeme Reid (Deputy Director) attending as an observer.

In the BIS Finance-led Partner Organisation Assessment Exercise, relationships between the BIS sponsor and the partner organisation have been rated strongly. These assessments are available.

#### **Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

Strong relationships between the Research Council and the sponsoring group, with frequent and regular dialogue.

#### **Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

Statements are in need of updating, which is underway.

## **ROLE OF THE BOARD**

*The PO is led by an effective board which has collective responsibility for its overall performance and success, and provides strategic leadership, direction, support and guidance. The board has an appropriate balance of skills, experience, independence and knowledge, with a clear division of roles and responsibilities between Executives and Non-Executives*

Detail of Requirement	Assessment
<p>The Board of the PO should:</p> <ol style="list-style-type: none"> <li>1. meet regularly, retain effective control over the PO, and monitor the SMT, holding the CEO accountable for the performance and management of the PO;</li> <li>2. be appropriate in size with membership from a diverse background;</li> </ol>	<p>Comply</p> <p>Comply</p>

3. establish a framework of strategic control specifying what matters are reserved for the board and establish arrangements to ensure it has access to relevant information, advice and recourses to carry out its role effectively;	Comply
4. establish formal procedural and financial regulations to govern the conduct of its business;	Comply
5. make a senior executive responsible for ensuring appropriate advice is given on financial matters, procedures are followed, and that all applicable statutes and regulations and other relevant statements of best practice are complied with;	Comply
6. establish a remuneration committee to make recommendations on the remuneration of top executives. Information on senior salaries should be published and rules for recruitment and management of staff provide for appointment and advancement on merit;	Comply
7. evaluated annually, including an evaluation of the chair and board members.	Explain
Overall assessment of role of STFC Council	<b>Green</b>

### Evidence of compliance or explanation for non-compliance

#### 1 Compliant

The STFC Council (the “Board”) meets six times per year. It receives progress reports from the Chief Executive at every meeting and oversees the work of the senior management team (Executive Board) in delivering the [STFC Strategy](#). This is done through reports evaluating delivery of the annual Operating Plan actions and progress against the targets within the [Delivery Plan](#) 2011-15. A finance update report is also presented to each meeting.

In addition, copies of Executive Board and Operations Board minutes are made available for Council to review and quarterly reports are presented on Safety, Health and Environment matters. The following are examples of documents presented to the Board:

- Chief Executive’s progress report and scientific highlights report;
- Operating Plan progress report;
- Delivery Plan scorecard report;
- Finance report;
- SHE progress report.

An observer from BIS attends each Council meeting.

## 2 Compliant

The governing board of the organisation is the Council, which consists of the Chair, Chief Executive, and eight further non-executive Council members, four of which are academics from the Council's research community. A recruitment exercise is underway for two further non-executive members which will bring STFC Council membership up to twelve in total. Details of [STFC Council](#) membership is set out on the website.

This size and composition is consistent with the Council's [Royal Charter](#), which states "The Council shall consist of the Chair, the Chief Executive and from 6 to 10 other members". As such, the size of the governing board is larger than might normally be expected. However, the diverse representation which this larger size enables does have the benefit of providing a demonstrable sense of 'ownership' of the organisation from across the Council's academic and user community. As such, the Council to an extent performs a dual role of governing board and stakeholder forum.

The size of the Board also reflects the diversity of experience and skills required for a Research Council Board, as set out in the Council’s Royal Charter and ensures that STFC have the appropriate balance of academic and industrial expertise.

The balance of the Council in terms of the skill set available is a key consideration in any appointment and vacancies are advertised accordingly to fill any gaps in knowledge or expertise. For example, STFC is currently seeking a senior business leader for one of the two current vacancies and an individual with considerable experience of financial management for the other.

In terms of diversity, there are currently two female members on STFC Council and STFC is committed to increasing diversity on both its Council and other Boards. STFC was one of three Research Councils (with MRC and BBSRC) to volunteer to take part in a pilot project led by BIS to increase Diversity on Council. The project ended in December 2012 and a cross Research Council group was convened to build on the existing work carried out. The Chair of this group is rotated on a six monthly basis and STFC currently holds the Chair.

Past Council membership can be found within STFC Annual Reports.

## 3 Compliant

The STFC Scheme of Delegation sets out those matters which are reserved to Council. The information provided at 3.2 above shows how delegations are operated in practice throughout STFC. The control framework for Council is set out in the

following key documents:

- [Management Statement](#);
- [Council Code of Practice](#);
- [Financial Memorandum](#).

These documents are in the public domain on STFC's website and as stated earlier are under review to bring them up to date and harmonise them with other Research Councils.

Council has access, through Executive Board, to the management information and administrative support it requires. This includes the provision of progress reports, strategic advice and administrative support. It is also assisted in its work by a structure of [supporting bodies](#) such as Science Board, Audit Committee, and specialist Advisory Boards and Panels. This helps to ensure that Council members are fully engaged in STFC's work and that Council has access to the range of expertise and viewpoints that it needs to carry out its role.

4 Compliant

A comprehensive suite of financial policies is in place and available to all staff through the intranet. This is supplemented by information relating to SBS services provided through the Oracle Knowledgebase (the portal through which SBS services are accessed).

5 Compliant

The STFC Executive Director Finance has corporate responsibility (with the Chief Executive as Accounting Officer) for all financial management across STFC and is the senior executive with responsibility for providing advice to Council on financial matters. The Executive Director Finance is also responsible for compliance with Treasury rules on managing public money, informing and advising Council and Audit Committee as required. They have authority to call in any financial decision for sign off, and a direct right of access to the Council Chair. They are also responsible for preparing the Governance Statement which forms part of the Annual Report and Accounts.

Alongside this, the Director of Corporate Services has responsibility for provision of advice on procedural matters relating to the operation of the Council and its sub-Committees.

6 Compliant

STFC has a Remuneration Committee in place, chaired by a council member, which makes recommendations on executive salaries. The Committee assesses annually the individual performance of Directors, making recommendations on the level of performance related pay.

The [annual accounts](#) contain a remuneration report. This report outlines the remuneration of council members and senior staff, including performance related

bonuses.

Rules for recruitment and management of staff within STFC provide for appointment and advancement on merit. STFC is an accredited Investor in People (Silver Standard) and these systems are reviewed as part of the accreditation process.

#### 7 Explain

BIS do not currently assess the performance of Council (in terms of its governance role) or the Chair as part of any formal evaluation, although it is looking to introduce annual evaluations of Council Chairs.

Council carries out a self-assessment exercise on an annual cycle using questions based on NAO guidance on performance of Boards. On a three yearly basis, a skills audit is also carried out. Currently Council members are evaluated by the Chair at the end of their term.

STFC has committed in its annual Governance Statement (and in the refreshed Council Code of Practice) that the Chair of Council will undertake annual individual appraisals of Council members and on a triennial basis will lead an independent evaluation of Council's own performance (in line with the Corporate Governance Code). Planning for this is at an early stage, but the intention is to consult widely with Council stakeholders as part of the independent evaluation.

#### **Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

The role of Council is clearly defined and its composition has a broad mix of skills and experience.

#### **Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

1. BIS do not currently assess the performance of the Board or Chair as part of any formal evaluation;
2. There is a need to undertake an independent evaluation of Council's performance;
3. STFC's approach to the conduct of Council meetings in closed session will be reconsidered as part of this independent evaluation to determine if it remains appropriate given the wide array of other channels used for consultation and engagement.

## **ROLE OF THE CHAIR**

*The Chair is responsible for leadership of the board and for ensuring its overall effectiveness*

Detail of Requirement	Assessment
<p>1. The Board should be led by a non-executive Chair, whose duties, roles and responsibilities, terms of office and remuneration should be set out clearly and formally defined in writing. Terms and conditions must be in line with CO guidance and any statutory requirement.</p> <p>2. There should be a formal, rigorous and transparent process for the appointment of the Chair, which is compliant with the Code of Practice issued by OCPA. The Chair should have a role in the appointment of non executives.</p> <p>3. the responsibilities of the Chair can include:</p> <ul style="list-style-type: none"> <li>○ representing the PO in discussions with the Secretary of State</li> <li>○ advising the Sponsor Group/the Secretary of State about board appointments and performance of non-executive members</li> <li>○ Ensuring non executives understand their responsibilities; are trained appropriately and undergo annual assessments.</li> <li>○ Ensure the board takes account of guidance provided by the Secretary of State; carries out its business efficiently and effectively, has its views represented to the public.</li> <li>○ Develop effective working relationships with the CEO (role of Chair and CEO must be held by different individuals.)</li> <li>○ subject to an annual appraisal by the Permanent Secretary or relevant Director General</li> <li>○ Appraises other board members ensuring they are performing to standard, following disciplinary procedures if necessary and ensuring they are committing the appropriate time to the work.</li> </ul>	<p>Comply</p> <p>Comply</p> <p>Explain</p>

Overall assessment of the role of the Chair	<b>Green</b>
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Evidence of compliance or explanation for non-compliance
<p><b>1 Compliant</b></p> <p>STFC has a non-executive chairman who was appointed by BIS following a recruitment exercise conducted in line with the Commissioner for Public Appointments Code of Practice (Professor Sir Michael Sterling FREng). Sir Michael is an engineer by background and recently retired as Vice-Chancellor at Birmingham University. The terms of appointment to STFC were set out by BIS within the letter of appointment and are consistent with Cabinet Office guidance.</p>
<p><b>2 Compliant</b></p> <p>An independent public appointments assessor sits on the interview/selection panel for the Chair.</p> <p>The House of Commons Science and Technology Committee has the prerogative of cross examining the Council Chair elect and advising the Secretary of State on the proposed appointment.</p> <p>STFC works with BIS to appoint other non-executive Council members and appointments are made in accordance with the OCPA Code of Practice. OCPA rules state that “a panel must be set up to oversee the appointments process. The panel must be able to assess candidates impartially against the selection criteria. This assessment must include an external perspective, which will normally be ensured by having one member of the panel who is independent of the appointing Department and the body to which the appointment is being made”.</p> <p>In compliance with this rule, in the past two years David Grant (ex-VC Cardiff University) has been STFC’s independent panel member. In addition, STFC now routinely ensures that there is also a female Council member on its appointment panel, as well as the Chair.</p>
<p><b>3 Explain</b></p> <p>BIS do not currently assess the performance of the Chair as part of any formal appraisal process.</p> <p>The role and responsibilities of both Council and the Chair are set out within the STFC</p>

[Code of Practice](#) and are [summarised](#) on the STFC website. In essence the Chair's responsibilities include:

- Working with the Chief Executive and the Executive Board to provide strategic leadership;
- Providing oversight of the Executive;
- Ensuring probity and efficiency;
- Ensuring that peer-review processes are conducted effectively;
- Overseeing high impact and/or high risk decisions;
- Overseeing key relationships with Government and others.

In addition, the Chair has specific responsibilities in relation to identification of strategic priorities, interaction with BIS and engagement with stakeholders. It also extends (with the Chief Executive) to staff recruitment and retention, as well as representational duties.

As stated above, STFC has committed in its annual Governance Statement (and in the refreshed Council Code of Practice) that the Chair of Council will undertake annual individual appraisals of Council members rather than at the end of term of office as is current practice. The Chair advises BIS of his assessment when recommending a Council member for reappointment.

#### **Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

The role and responsibilities of the Chair are clearly defined and understood.

#### **Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

BIS do not currently assess the performance of the Chair as part of an annual appraisal.



## **ROLE OF THE CHIEF EXECUTIVE OFFICER (CEO)**

*The CEO is responsible for leadership of the PO and for ensuring its overall effectiveness*

Detail of Requirement	Assessment
<p>1. The PO should be led by a CEO, whose duties, roles and responsibilities, terms of office and remuneration should be set out clearly and formally defined in writing. Terms and conditions must be in line with CO guidance and any statutory requirement</p> <p>2. There should be a formal, rigorous and transparent process for the appointment of the CEO.</p> <p>3. the responsibilities of the CEO can include the responsibilities of the Accounting Officer, the Consolidation Officer and Principal Officer for Ombudsman which involve:</p> <ul style="list-style-type: none"> <li>○ Overall responsibility for the PO's performance, accounting for any disbursements of grant to the PO.</li> <li>○ Establish the PO's corporate and business plans and departmental targets.</li> <li>○ Inform the Ministry of Justice of any complaints about the PO accepted by the Ombudsman for investigation if applicable.</li> <li>○ management of senior staff within the PO ensuring they are meeting objectives and following disciplinary procedures if necessary</li> <li>○ Maintains accounting records that provide the necessary information for the consolidation if applicable.</li> <li>○ (Details of accounting officer covered under 10: Effective Financial Management.)</li> </ul>	<p>Comply</p> <p>Comply</p> <p>Comply</p>
Overall assessment of the role of the CEO	<b>Green</b>

## Evidence of compliance or explanation for non-compliance

### 1 Compliant

The role and responsibilities of the Chief Executive (Professor John Womersley) are described in his personal letter of appointment from BIS. They are also set out within the STFC Governance Manual, the STFC [Management Statement](#) and [summarised](#) on the STFC website.

The terms and conditions of the appointment (made by BIS) were in line with Cabinet Office guidance.

### 2 Compliant

BIS operates a fair and open process for the appointment of a CEO which essentially follows the same procedure as an OCPA regulated recruitment. Although there is no OCPA public appointments assessor involved, there is always an independent panel member. For CEO's, the appointment panel is chaired by the Director-General Knowledge and Innovation and includes the Director Research Base, the Chair of the Research Council and an independent panel member.

### 3 Compliant

The STFC Chief Executive has responsibility as Accounting Officer, Consolidation Officer and Principal Officer for Ombudsman cases.

The responsibilities and accountabilities of the Chief Executive are set out in the STFC Governance Manual and in the STFC [Management Statement](#). A [summary of responsibilities](#) is also published on the STFC website. It is the Chief Executive's responsibility to ensure that the appropriate management structures are in place for effective governance and the recent restructuring of STFC senior management provides clarity of responsibility.

In terms of Strategy, the Chief Executive has oversight for the development of the STFC Strategy, Delivery Plan, and the annual Operating Plan. The Chief Executive also chairs the [Executive Board](#) (EB). Monitoring successful implementation of strategy is undertaken through regular Delivery Plan scorecard monitoring reports and Operating Plan progress reports presented to EB, Council and BIS.

## Strengths identified by the Research Council and sponsor body, and considered by the Review Team

The role and responsibilities of the Chief Executive are clearly defined and understood.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

The proposals currently being considered to create a single “Chief Operating Officer” or some kind of shared finance function across all the research councils risk leading to a significant weakening of the current structure and the Accounting Officer function. These issues require speedy and thoughtful resolution by BIS.

## ***ROLE OF THE NON-EXECUTIVE BOARD MEMBERS***

*As part of their role, non-executive board members provide independent and constructive challenge*

Detail of Requirement	Assessment
Non-executive members should:	
1. Form the majority of the board.	Comply
2. Be appointed under a formal, rigorous and transparent process compliant with the code of practice issued by OCPA.	Comply
3. Have their duties, roles and responsibilities, terms of office and remuneration set out clearly and formally defined in writing. Their terms and conditions must be in line with CO guidance and any statutory requirement.	Comply
4. be independent of management	Comply
5. Allocate sufficient time to the board with details of their attendance published.	Comply
6. Undergo proper induction, and appraisals.	Comply
7. their responsibilities include:	Comply

<ul style="list-style-type: none"> <li>• Establishing strategic direction of the PO and oversee development and implementation of strategies, plans, priorities and performance/financial targets.</li> <li>• Ensuring the PO complies with statutory and administrative requirements on the use of public funds and operates within its statutory and delegated authority.</li> <li>• That high standards of corporate governance are observed.</li> </ul>	
Overall assessment of the role of non-executive directors	<b>Green</b>

Evidence of compliance or explanation for non-compliance
<p>1 Compliant</p> <p>STFC currently has nine Non-Executive members of Council (including the Chair) and one Executive member (the Chief Executive). A recruitment exercise is underway for two further non-executive members which will bring the total Council membership up to twelve. <a href="#">Job descriptions</a> for the two vacancies are published on the website. <a href="#">Membership is also published on the STFC website.</a></p>
<p>2 Compliant</p> <p>Council members are appointed in conjunction with BIS in line with the OCPA code of practice, based on advice from the appointment panel described earlier.</p>
<p>3 Compliant</p> <p>Council members' role and responsibilities, term of office, remuneration and other terms and conditions are set out in the letter offering appointment from BIS. The roles and responsibilities of Council members are set out <a href="#">Council Code of Practice</a> and <a href="#">Management Statement</a>, which are in the public domain and provided to Council members upon appointment.</p>
<p>4 Compliant</p> <p>Non Executive Council members are independent of any STFC management structures and appointed by BIS following OCPA rules of appointment, based on advice from the appointment panel described earlier.</p>

## 5 Compliant

Council member attendance is published in the [Annual Report](#), which is in the public domain.

## 6 Compliant

STFC tailors induction to individual Council members' requirements and uses induction as a means to familiarise new members with their strategy, delivery plan and financial position. New members are sent a copy of key Council publications including the [Council Code of Practice](#), [Management Statement](#), [Financial Memorandum](#) and other documentation. Induction initially involves a meeting with the Executive Secretary to Council who will answer any questions that the Council member may have regarding their duties and responsibilities, meetings with key Executive personnel and site familiarisation. Additionally, Council members are invited onto site for a day's induction visit which includes site tours and introductions, presentations and Q&A sessions with the Executive Directors and other key staff. STFC is undertaking a review of its induction procedures during the coming year.

Each year Non-Executive members are required to complete a self-assessment exercise which is reviewed with the Chair.

## 7 Compliant

The [Council Code of Practice](#) for Council members and the [Management Statement](#) outline the direct responsibilities for Non-Executive members and their role in strategy development and oversight. Council collectively is responsible for agreeing the STFC Strategy, Delivery Plan and Operating Plan as well as the Annual Report and Statement of Accounts.

The Code also outlines the framework within which STFC operates and includes reference to the Seven Principles of Public Life. A summary of the [role of Council and Executive Board](#) is also published on the website.

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

The role and responsibilities of non executive members is clearly defined and well understood. Non-executive members have a diverse mix of skills and experience.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

Complete the current recruitment exercise for two new non-executive members to ensure that the balance of skills and experience is maintained;

Conclude a review of induction procedures during the coming year and continue to work with the cross-Council group to encourage diversity and gender balance.

## ***EFFECTIVE FINANCIAL MANAGEMENT***

*The PO has taken appropriate steps to ensure that effective systems of financial management and internal controls are in place*

Detail of Requirement	Assessment
1. publish on time an objective, balanced and understandable annual report which complies with Treasury guidance, and includes an Annual Governance Statement;	Comply
2. comply with NAO requirements relating to the production and certification of their annual accounts;	Comply
3. have effective systems of risk management as part of their systems of internal control;	Comply
4. ensure an effective internal audit function is established which operates to Government Internal Audit Standards in accordance with CO guidance;	Comply
5. have appropriate financial delegations in place understood by all relevant staff and stakeholders. effective systems must be in place to ensure compliance with these delegations and the systems are regularly reviewed;	Comply
6. have anti-fraud and anti-corruption measures in place, and clear published rules governing claiming of expenses, with systems in place to ensure compliance. Information on	Comply

<p>expenses claimed by board members and senior staff should be published;</p> <p>7. establish an audit (or audit and risk) committee with responsibility for independent review of the systems of internal control and external audit process;</p> <p>8. take steps to ensure objective and professional relationship is maintained with external auditors.</p> <p>9. Comply with BIS guidance with regard to any department restrictions on spending.</p> <p>10. report to Corporate Finance with management accounts and Grant In Aid authorities</p>	<p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p>
Overall assessment of effective financial management	<b>Green</b>

### Evidence of compliance or explanation for non-compliance

#### 1 Compliant

The STFC [Annual Report and Accounts](#) are published on the website and contains the Governance Statement.

#### 2 Compliant

The 2011-12 and 2012-13 accounts comply with NAO requirements and were published without qualification.

#### 3 Compliant

The Corporate and Departmental risk registers are reviewed every six months as part of the STFC stewardship framework by Executive Board and Audit Committee. In addition, information relating to both risk and stewardship more generally is available through the staff intranet. Internal audits are regularly conducted on Corporate Governance, including risk management.

#### 4 Compliant

STFC uses the Research Council Audit and Assurance Services Group for internal audit activity and this operates in line with Government Internal Audit Standards. A regular programme of audits exists which is approved by the STFC Audit Committee. The [Audit Committee](#) terms of reference are published on the STFC website. Further details regarding the [Committee's operation](#) is included on the STFC website.

The Audit Committee is a Sub-Committee of Council, and supports them in their responsibilities for issues of risk, control, governance and associated assurance. The Committee is authorised by the Council to investigate any activity within its terms of reference. It is authorised to seek any information it requires from any employee and all employees are directed to co-operate with any request made by the Committee.

#### 5 Compliant

STFC has a schedule of financial delegations in place and accessible by all staff through the intranet. See section 3.2 above for further details of how delegations operate within STFC and links to supporting documentation. Financial delegations are translated into the relevant IT systems, managed by the Shared Business Service, which in turn apply controls based on the delegated authorities. This is also used to ensure that SBS managed procurement activity carried out on behalf of STFC is in line with Government guidelines.

STFC reviews its scheme of delegation annually when the revised CEO delegations are issued by BIS. In addition there may also be ad-hoc reviews and amendments if there are structural changes or mandates issued from across Government (e.g. CO spending controls). STFC are currently reviewing their delegation framework in the context of wider decision making in STFC.

#### 6 Compliant

STFC utilises a Governance Manual accessible to all staff through the intranet as the framework for information relating to the principles, policies and operating rules in place across STFC, including those relating to anti-fraud measures.

Supplementing this, STFC has an anti-fraud policy and anti-fraud handbook in place and accessible through the regularity and propriety pages of the staff intranet. These are currently under review as part of HMT & Cabinet Office initiatives on Fraud & Error, and development work in the near future will include:

- Roll out of counter-fraud training for all staff;
- Induction packs setting out all staff responsibilities for counter-fraud measures and the need to be alert to possible fraud;
- A revised Fraud Policy and Whistleblower Policy; and
- Updated fraud risk assessments.



A recent fraud within SBS has led to increased focus on controls within partner organisations and their impact upon STFC. For example, a letter was recently sent by the STFC Chief Executive requesting rapid action to strengthen the SBS Control and Security Framework.

Expenses rules for staff are published through the SBS Oracle Knowledgebase (SBS administer expense claims on behalf of STFC and the other Research Councils) and in the STFC staff Conditions of Employment Memorandum (CEM No.14) which deals with travel and expenses. There is a “quick guide” to claiming expenses through SBS.

Although STFC does not currently publish expenses information at the level of individual members of the Board or Management Team, aggregate figures for the Board are included within the [Annual Report & Accounts](#) (Remuneration Report).

STFC also publishes information on [GPC transactions](#) over £500 on the STFC website and has published information in response to a number of [Fol requests](#) concerning expenses. CEM 14 previously provided includes indicative maxima for overnight/daily expenses.

The key Travel & Subsistence controls are forced computer automated controls applied through Oracle, UKSBS and Line Managers. Limits are applied through the system and vouchers required as appropriate. Policy violations are referred back to the Line Manager and all claims made are reported to the Line Manager for information. Audit checks are undertaken on expenses and GPC transactions by SBS and Retained Finance – the UKSBS checks being focused on compliance with policy, and the Retained Finance checks being focused on business need (see guidance for staff attached which explains the detail of how this operates). In addition, STFC has now rolled out mandatory anti-fraud training to all staff.

#### 7 Compliant

STFC has an [Audit Committee](#) that comprises of a chairman, another member of the Council, plus two other independent non-executive members. These four members have experience relevant to the roles performed. Details of the role, responsibility and membership of the Committee can be found on the STFC website. Audit Committee meetings are normally attended by the Chief Executive as Accounting Officer, the Executive Director Finance and representatives of Internal Audit and the National Audit Office (External Audit).

#### 8 Compliant

There are regular discussions with the NAO at all levels, including the Audit Director, STFC-NAO Client Relationship Manager and the Audit Manager leading the NAO’s work on site. Dialogue throughout the course of the year includes discussion on planning the annual audit exercise, and the strategy underpinning both the interim and final audits. Any differences of view or interpretation are discussed in an amicable and constructive atmosphere.

STFC has been asked to provide its feedback on NAO performance as part of an independent review looking at such relationships and this will include discussions with

the STFC Chair, Chief Executive and Finance Director. Overall, it is anticipated that STFC will report that relations are both professional and effective in supporting a positive financial control environment across STFC.

#### 9 Compliant

STFC complies with BIS guidance in relation to spending controls including those introduced by the Cabinet Office in areas such as consultancy and marketing. This is regularly discussed with the BIS Finance team and, within STFC, guidance on such “special measures” is given to all staff.

#### 10 Compliant

The Council has regular contact with the BIS finance team and complies with the requirements for the submission of regular management information. Notably, STFC completes monthly returns for BIS setting out budget, actual and forecast figures. On a quarterly basis this is supplemented by more detailed information which includes commitments. In addition, GIA claims are submitted monthly.

### **Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

Sound systems for financial management are in place. Published accounts comply fully with NAO and statutory requirements and were without qualification in each of the last two financial years.

### **Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

In light of the recent incidents within SBS, the STFC anti-fraud framework will be further strengthened through:

- Roll out of counter-fraud training for all staff;
- Induction packs setting out all staff responsibilities for counter-fraud measures and the need to be alert to possible fraud;
- A revised Fraud Policy and Whistleblower Policy; and
- Updated fraud risk assessments.

## COMMUNICATION AND ENGAGEMENT

*The Public Body is open, transparent, accountable and responsive*

Detail of Requirement	Assessment
<p>The PO should:</p> <ol style="list-style-type: none"> <li>1. establish clear and effective channels of communication with stakeholders;</li> <li>2. make an explicit commitment to openness in all activities. Engage and consult with public on issues of public interest or concern and publish details of senior staff and board members with contact details;</li> <li>3. hold open board meetings or an annual open meeting;</li> <li>4. proactively publish agendas, minutes of board meetings and performance data;</li> <li>5. establish and publish effective correspondence handling and complaint procedures, and make it simple for members of the public to contact them/make complaints. Complaints should be investigated thoroughly and be subject to investigation by the Parliamentary Ombudsman. Performance in handling correspondence should be monitored and reported on;</li> <li>6. comply with any Government restrictions on publicity and advertising, with appropriate rules in place to limit use of marketing and PR consultants. Have robust and effective systems in place to ensure the PO is not engaged in political lobbying, includes restriction on board members attending Party Conferences in a professional capacity.</li> <li>7. engage the Sponsor Group appropriately especially in instances where events may have reputational implications on the department.</li> </ol>	<p>Comply</p> <p>Comply</p> <p>Explain</p> <p>Comply</p> <p>Comply</p> <p>Comply</p> <p>Comply</p>

Overall assessment of communications

Green

### Evidence of compliance or explanation for non-compliance

#### 1 Compliant

STFC operates a structured multi-tiered process of stakeholder engagement and communication, based on rigorous prioritisation of the stakeholder's ability to positively contribute to the achievement of STFC's corporate objectives – with their Government Sponsors at the top, followed by Strategic Partners such as the major commercial and industrial organisations that STFC interacts with and Strategic Stakeholders, including major Universities.

STFC aims for proactive (not reactive) engagement, through direct face-to-face interactions wherever possible. Examples of their [engagement processes](#) can be found at Section 3.5 above and on the website.

STFC's 2011-15 strategic engagement and communications plan agreed by their Executive Board is directly linked to their Strategy and Scorecard, with the objective *"to utilise STFC's communications and public engagement resources to contribute to the generation of new economic and societal benefit for the United Kingdom"*. STFC prioritise their audiences, resource commitments and activities against this objective. In general, STFC's activities fall into broad categories:

- Raise the profile of STFC's science to excite and awaken public interest and promote scientific literacy and culture – through Public Engagement grants and activities, media, events, digital and encouraging stakeholders
- Inspire young people to pursue STEM-related studies and careers – through Public Engagement grants for researchers, teachers and PE organisations, media and events, and digital
- Increase public awareness of the outcomes of STFC science and technology, and the benefits that flow from it – through publications, media, events and digital
- Work more productively with new media, creative and artistic industries, so as to support the broad objective and other activities in a cost effective way – through fostering new partnerships and shared activities
- Develop a sustained and co-ordinated internal communications programme to ensure that all staff are well informed and can fully support customer communication – through continuous improvement based on regular surveys

of internal communications channels, and strengthened management-staff interactions

- A set of enabling activities, in addition to the front-line delivery activities, which serve the entire organisation, and include in particular dedicated resources in stakeholder engagement, and marketing/marketing communications.

Recent engagement highlights include:

- the highly successful LHC on Tour roadshow which reached a potential audience of more than 650,000 nationwide and included visits to Northern Ireland, Scotland and Wales, and a new roadshow highlighting the UK's world lead in astronomy;
- an impact workshop at the international neutron scattering conference in Edinburgh;
- at least annual Town Meetings for specific grant-funded and facility-user communities;
- media relations – proactive and reactive media relations to reach target stakeholders through national, regional, trade and specialist media;
- specific effort to raise their social media profile resulting in a 25%-plus increase in Twitter followers in three months, and revamped Facebook and LinkedIn presence;
- a complete content rewrite for their website to provide more compelling information for the public and students;
- the new stakeholder management framework;
- a partnership with the Science Museum around the Collider particle physics exhibit;
- a partnership with the Association of Science and Discovery Centres to raise the profile of the physical sciences for the association members' 20 million visitors per year, and;
- Public Engagement grants supporting direct engagement with schools, teachers and the public by researchers.

## 2 Compliant

The Council has committed itself to openness in all its activities. The STFC website contains information targeted at a range of audiences. In addition, a comprehensive [public engagement](#) programme is in place to encourage and promote science and technology across the board. Further details are provided on the website.

Complementing this, the STFC media team take opportunities to promote the impact that STFC research makes through targeted [press releases](#) and proactive work with journalists. The Council's periodic Programmatic Review is used to engage the scientific community in debate about priorities and is a key means of communicating with stakeholders to both inform them of recent developments and to seek input to strategy development.

Information about [senior staff and Council](#) members is published on the website and in the STFC Annual Report.

## 3 Explain (partly compliant)

When STFC has previously considered if it would be beneficial to hold Council meetings in open session it has concluded that this would not provide significant benefits in terms of encouraging engagement and dialogue. This is partly because of the practicality of dealing with confidential information, but more importantly because STFC believes there are much more effective channels. STFC engages with its stakeholders in active dialogue through, for example, regular and open "Town Meetings" with specific research communities of interest including the learned societies, Institute of Physics subject groups, sessions at topical conferences and meetings of academics. In this way students and researchers can discuss issues such as grant funding, future priorities, facility access etc. and provide a much more meaningful input to STFC strategic direction and policy development than would be obtained through open Council meetings or a single annual open meeting.

However, STFC will reconsider this issue again to review if its approach remains consistent with securing maximum communication and engagement. In carrying out this re-evaluation STFC will consider the work done by its [Science Board and a network of advisory panels](#) to carry out the in-depth discussions which could not take place at Council meetings. In recent years STFC has built a reputation for openness and engagement and this has been recognised within the scientific community and in feedback received as part of Stage 1 of the Triennial Review process.

## 4 Compliant

[Minutes of STFC Council Meetings](#) are published on the website. In addition, in terms of reporting on aspects of its performance, STFC publishes a range of additional documents. The overall framework for STFC's activity is set out within the [STFC Strategy](#) for the period to 2020.

This is underpinned by a [Delivery Plan](#) which sets out in detail STFC's objectives for the current spending review period to 2015. An annual operating plan is used to manage activity at a more granular level.

Delivery Plan Scorecard monitoring reports are produced quarterly and reviewed by both senior managers and Council. In more general terms, an annual [Impact Report](#) summarises the major outcomes flowing from their work and a range of supporting information related to [impact evaluation](#) is published on STFC's website. STFC also publishes details of all [grants awarded](#).

#### 5 Compliant

STFC has a formal [complaints procedure](#) including designated complaints officers who handle requests. This details the standard of service that people can expect in terms of correspondence handling and the process to follow to make a complaint.

Response times are monitored for Freedom of Information requests, requests made under the Data Protection Act and requests made under the Environmental Protection Act regulations. In 2012-13 only one request was outside the recommended time limits.

#### 6 Compliant

STFC complies with central government spending control requirements on publicity and advertising, including reporting monthly on expenditure to BIS Communications, and through the annual forecasting exercise for the whole of government communications plan. Executive Board in May 2013 reinforced to all staff the importance of compliance with the full range of restrictions (including print, online and marketing/advertising). STFC does not engage in political lobbying and regularly informs its Council members and staff on the restrictions on participation in Party Conferences in a professional capacity.

#### 7 Compliant

The Council engages closely with its sponsorship team in BIS and regular meetings are held between the BIS and STFC where issues which may have a reputational impact are discussed routinely. This includes formal six monthly progress review meetings (which provide a useful forum for senior level discussions on issues which may have a reputational impact) and BIS attendance at all STFC Board meetings.

In addition, communication specialists across the Research Councils meet regularly with BIS to discuss issues of common interest and, within STFC, the Executive Director for Strategy, Performance and Communications (SPC) takes the lead in ensuring good working relations are maintained with BIS. The SPC team has recently been strengthened to ensure that capacity exists to deal with routine enquiries effectively.

### **Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

1. Effective dialogue with both the public and key stakeholders;
2. A well established Science Board and network of advisory bodies;
3. Good proactive communications.

### **Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

As previously mentioned, there is a need to undertake an independent evaluation of Council's own performance (in terms of its operation and governance). An element of this exercise will include consideration of whether STFC's approach to the conduct of Council meetings in closed session remains appropriate given the other channels used for consultation, communication and public engagement.

## ***CONDUCT AND PROPRIETY***

*The board and staff of the PO work to the highest personal and professional standards. They promote the values of the PO and of good governance through their conduct and behaviour*

<b>Detail of Requirement</b>	<b>Assessment</b>
1. a Code of Conduct must be in place setting out the standards of personal and professional behaviour and propriety expected of all board members which follows the CO Code and form part of the terms and conditions of appointment;	Comply
2. the PO has adopted a Code of Conduct for staff based on the CO model Code and form part of the terms and conditions of employment;	Comply
3. there are clear rules and procedures in place for managing conflicts of interest. There is a publicly available Register of Interests for board members and senior staff which is regularly updated;	Comply



4. there are clear rules and guidelines in place on political activity for board members and staff with effective systems in place to ensure compliance with any restrictions;	Comply
5. there are rules in place for board members and senior staff on the acceptance of appointments or employment after resignation or retirement which are effectively enforced;	Comply
6. Board members and senior staff should show leadership by conducting themselves in accordance with the highest standards of personal and professional behaviour and in line with the principles set out in respective Codes of Conduct.	Comply
Overall assessment of conduct and propriety	<b>Green</b>

### Evidence of compliance or explanation for non-compliance

#### 1 Compliant

The STFC [Code of Practice](#) for Council members includes specific reference to the standards of behaviour expected.

#### 2 Compliant

The STFC Governance Manual for staff includes reference to conduct and propriety. This is backed up by a Conditions of Employment Memorandum (No. 8) which deals with conduct and discipline and which forms part of the conditions of employment for all STFC staff. All Conditions of Employment Memoranda are available to staff through the intranet.

#### 3 Compliant

Guidance on possible conflicts of interest is included within the STFC Conflict of Interest Policy and Guidance. For Council members, further information is provided in the STFC Code of Practice (points 25-34). Council members [declared interests](#) are published on the website. In meetings, any conflicts are recorded in the meeting and a view is taken ahead of the meeting by the CEO and Chair whether a conflicted member should be allowed to participate in the discussion. Whether the member /attendee stays or leaves the room the conflict is always minuted. STFC's approach to dealing with conflicts of interest is also referenced within the STFC Governance Manual.

## 4 Compliant

STFC Conditions of Employment Memoranda incorporates guidelines on political activity. Employees are free to take part in political activities but should avoid becoming involved in political controversy on matters affecting STFC. In addition, employees may not, in their official capacities, take part in conferences convened for political purposes unless specifically briefed to do so. Employees should seek the advice of their Director if they have any doubts about their position regarding political activities.

Where an employee is adopted as a parliamentary candidate (whether for the UK or the European Parliament or regional assemblies), they are required to inform their line manager and Human Resources immediately. They may be granted one month's special leave with pay in order to fight an election. If elected they will have to resign from the date of election. Subject to certain conditions, employees may be reinstated when they cease to be an MP/MEP.

Guidance issued by Cabinet Office on the role and conduct of civil and public servants in the context of general and local elections is brought to the attention of all STFC staff at the relevant time. This extends to the Party Conference season when staff are reminded of the STFC policy on participation.

## 5 Compliant

The personal contracts on which Executive Board members and other senior staff are employed contain restrictive covenants covering non-competition with STFC's business and non-enticement of STFC employees for a period of 6 months following termination of STFC employment. The restrictive covenants used vary according to the specific roles and responsibilities of the individual senior staff and are currently being updated. Further details of the covenants currently in place, and those proposed, are available if required.

## 6 Compliant

The STFC Council [Code of Practice](#) on the website makes it clear that individual Council members should be aware of their conduct and wider responsibilities and that they should follow the "Seven Principles of Public Life". This approach is also reflected within STFC's [core values](#), copied below, for how staff should behave in terms of personal and professional interactions:

**Excellence** – we will strive to be among the best in everything we do, from our science and technology to our support services and business processes;

**Collaboration** – we will work cooperatively in partnership with others to achieve the best result possible;

**Inspiration** – we will produce ideas and performance that excite and motivate others;

**Trust** – we will be honest and open in our dealings with others, sharing our knowledge for the benefit of others and following through on our promises and commitments;

**Transparency** – we will strive to make our processes and communications clear and simple so that we are understood;

**Respect** – we will treat others with courtesy and value the differences between people.

STFC is committed to establishing and applying appropriate standards of regularity and propriety, including encouraging appropriate cultures and behaviours. Key components of this framework include specific policies relating to:

- Fraud;
- Conflicts of Interest; and
- Gifts and Hospitality.

There is an expectation that Council members and senior staff will be exemplars of good practice in this regard and act as role models for others, both within STFC and in the wider community.

**Strengths identified by the Research Council and sponsor body, and considered by the Review Team**

Well established formal framework for ensuring that conduct and propriety is of the highest order, backed up by STFC corporate values.

**Areas for improvement and action planned, identified by the Research Council and sponsor body, and considered by the Review Team**

Senior staff register of interests to be published on the STFC website alongside that for Council members.

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