



# Arts & Humanities Research Council Annual Report & Accounts 2014-15



Arts & Humanities  
Research Council



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The Arts and Humanities Research Council (AHRC) is incorporated by Royal Charter and came into existence on 1 April 2005 under the terms of the Higher Education Act 2004. It took over the responsibilities of the Arts and Humanities Research Board (AHRB). On that date all the AHRB's activities, assets and liabilities transferred to the AHRC.

The AHRC is a non-departmental public body (NDPB) sponsored by the Department for Business, Innovation and Skills, along with the other six Research Councils. It is governed by its Council, which is responsible for the overall strategic direction of the organisation.

Arts and Humanities Research Council, Polaris House,  
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## Chairman's FOREWORD

It has been an honour and a pleasure to take over from Sir Alan Wilson as Chair of the AHRC as it reaches its tenth anniversary.

In my first year I have been struck by the level of engagement that the Council has with the organisation, and by the range of experience that is available to it. Similarly contact between Chair, Chief Executive and senior members of the team is a model of how this should be done.

The challenge for any Research Council is the balance between leadership and support – leadership inevitably has greater prominence, and can lead to the research community feeling that it is being chivvied in directions it would not naturally follow – one of our challenges remains giving proper profile to the vast majority (over 75%) of our grants in responsive mode, though a lot of progress has been made – perhaps a role for the tenth anniversary celebrations. And money is always an issue to be wrestled with, not least in the uncertainties of an election year and a Comprehensive Spending Review (CSR) to follow closely.

One of the ways to improve financial efficiency is of course to partner and collaborate, and it is perhaps worth therefore noting our work with the Natural Environment Research Council (NERC) and the Biotechnology and Biological Sciences Research Council (BBSRC) on internships in influential organisations, with the BBC on New Generation Thinkers, with the British Library on the Academic Book of the Future, the British Museum on the Ming Exhibition, and the Newton Fund and the Ningbo Science and Technology Bureau on the Digital Copyright and IP Research Centre in Ningbo in China. Making sure that the AHRC is seen as an integrated part of the UK's research effort is obviously important for future funding, and there we have of course also been helped by Rick Rylance's role as Chair of RCUK.

Linked to proving the centrality of the AHRC's remit is the Cultural Value project, under Geoff Crossick, which this year returned its mid-term report, and more narrowly perhaps on the economic front the Brighton Fuse Freelancer Report on the impact of the creative industries on the wider economy, including a new project on Design in the South West and the potential for further engagements in other regions, which will combine arts and humanities research expertise and local growth strategies in the creative, cultural and digital sectors.

But in the end we have the role of supporting our core disciplines, and of supporting the research agenda of our community, and of persuading the country that it should value these activities, in the widest possible sense of the word 'value'. I am sure our next ten years will build on a firm foundation.

It is with considerable regret that we will say good bye to Rick Rylance at the end of this year. Rick is returning to the research community he has done so much to help over the past seven years as Director of the Institute of English Studies (IES). We wish him well in his new role.

**Professor Sir Drummond Bone**  
Chair, AHRC



# Chief Executive's STATEMENT



Research in the arts and humanities leads to understanding of our past and our identity as a nation; it contributes to our prestige internationally; and it makes a key contribution to Britain's burgeoning creative economy. The AHRC has been successful in all these areas this past year. One striking feature linking them is the number of prestigious exhibitions and other forms of public engagement developed through AHRC-funded research.

Their variety and range is impressive. The British Museum's superb, blockbuster exhibition 'Ming: Fifty Years that changed China' illuminated crucial years of transformation between 1400 and 1450 and brought together artifacts from China and research led by the Museum and the University of Oxford. Others looked to the future. The London Design Festival in September featured prototypes from 'the internet of things' produced by AHRC researchers in collaboration with creative and technical entrepreneurs, while the 'Being Human' festival, organised in conjunction with the School of Advanced Study at the University of London and the British Academy, demonstrated the versatility and illumination that research in the humanities brings in a series of events across the country.

As this indicates, partnership and collaboration are essential in areas like public engagement and the creative economy. In 2014, the AHRC worked with broadcasters and filmmakers in a variety of ways. It saw the fourth national 'New Generation Thinkers' competition, organised with the BBC, which gave starts to another ten early career researchers, chosen from hundreds of applicants, to develop their broadcasting talents. We worked with the BBC, the Heritage Lottery Fund and other national and local organisations to develop coverage of the WW1 centenary. Particularly striking and poignant were the personal stories of sacrifice and achievement by ordinary people and their families. Elsewhere, AHRC-funded work appeared at the Cheltenham festivals, photographic exhibitions and the Supreme Court.

The AHRC continued to lead in supporting and understanding the UK's creative economy, one of our great current success stories recognised worldwide. AHRC research projects studied the 'fusing' of technology platforms, design and creative content, which is fuelling high-growth creative clusters such as those in Brighton or Bristol and Bath. These, conducted with the National Centre for Universities and Business and the Design Council, pioneered understanding of the dynamics of the creative economy and illuminated policy directions. With NESTA, the Arts Councils across the UK, cultural venues

and tech businesses, we developed R&D projects for the arts using digital technologies.

The four AHRC Hubs for Knowledge Exchange in the Creative Economy in Dundee, Lancaster, London, and Wales and the West Country continue to stimulate the translation of knowledge from universities into business activity and public service. Two projects in Dundee specialising in design are particularly striking. One applied design principles to develop a craft beer enterprise. The company – Beer52 – grew from a very modest design-based investment to a multi-million pound business this year, its founder being named one of Forbes' young entrepreneurs of the year. The other project encouraged public awareness of diet in the prevention of type-2 diabetes through pop-up shops in city centres.

All of this is underpinned by the AHRC's traditional commitment to deep, patient and enormously diverse scholarship into the way we live our lives and the cultures produced across the globe. Landmark achievements in scholarly research this year have included the world's largest online archive of the Gaelic language and culture; a new, definitive edition of the works of Evelyn Waugh, which includes a website to engage the public; and a study of municipal authority in Scottish towns 1740-1820, which won the Saltire Book of the Year in the year of the referendum on Scottish independence. Many others illuminated key aspects of the complexities of our history and heritage from the earliest times to the present day. Looking ahead – as we celebrate the AHRC's tenth anniversary in 2015 – we continue to use 40% of our funding to sustain a large body of postgraduate researchers across all fields to nurture the talent of the future.

As ever, it has been a joy to work with my colleagues at the AHRC and our governing Council, its committees and Boards, to whom particular thanks are due. This year saw Sir Alan Wilson step down as Chair of Council after six years' distinguished service. Heartfelt thanks are due to him as we welcome his distinguished successor Sir Drummond Bone.

**Professor Rick Rylance**  
Chief Executive, AHRC

# Management Commentary

Highlights of the year

Strategic Report

Directors' Report



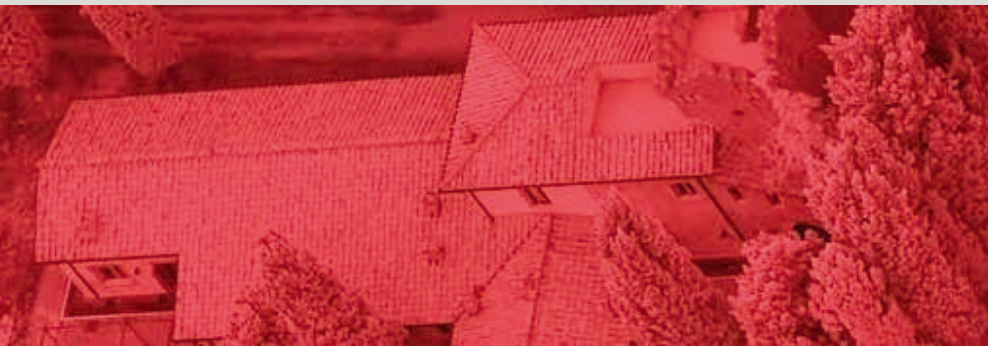




# Highlights of the year

## MOOC on the ancient port of Rome launched

The University of Southampton launched a Massive Open Online Course (MOOC) in April, giving users the opportunity to explore Portus, the ancient port of Rome. 'Archaeology of Portus: Exploring the Lost Harbour of Ancient Rome' allows anyone to study online, for free, wherever they are in the world while benefiting from the research carried out by the Portus Project, funded by the AHRC, at this historic site located around 20 miles from Italy's capital city.



## Exploring the potential of technology in the arts

Further projects were awarded funding from the Digital R&D Fund for the Arts – a £7 million fund from Arts Council England, the AHRC and Nesta. These projects cover a diverse range of art and cultural forms including film distribution, comics and museums and will test how digital technologies can help to get more people to engage in arts or culture or to explore new business models for the sector.

## New Generation Thinkers present at Free Thinking

The AHRC/BBC New Generation Thinkers were announced at the Hay Festival. The ten winners will become Radio 3's resident New Generation Thinkers, receiving top-level mentoring and advice on how to develop their ideas into engaging programmes and spending time shadowing the work of presenters and producers alike.

## Two AHRC projects hailed for public engagement

Two AHRC-funded projects won the inaugural Engage Awards for Public Engagement in June. The Prison Reading Groups won the Art, Design and Culture award while the CAER Heritage Project won both the History and Heritage Award and the overall award for Best Project of the Year.

## Rwanda: Looking Backwards, Looking Forwards

April saw the launch of the first of a series of virtual exhibitions in the AHRC's online Image Gallery by researchers who responded to an AHRC call. The first exhibition, called 'Rwanda: Looking Backwards, Looking Forwards' curated by Zoe Norridge of King's College London, marked the 20th anniversary of the genocide in Rwanda that claimed the lives of over 800,000 Tutsis and their perceived Hutu and Twa sympathisers.



## International Placement Scheme Fellowships Announced

Thirty postgraduate students and early career researchers were offered the opportunity to enhance their research with a fellowship of up to six months at some of the world's most prestigious libraries and research institutions. These institutions included the Yale Center for British Art, The Harry Ransom Center, the Huntington Library, the Smithsonian Institution, the National Institutes for the Humanities in Japan (NIHU) and the Library of Congress.

## AHRC Commons Fellow announced

Dr Richard Clay of the University of Birmingham was appointed as the AHRC Commons Fellow in September. The Commons Fellowship will lead the strategic direction of the AHRC Commons that was set out in the 2013-18 strategy, engaging with arts and humanities researchers to deliver the initiative's vision and aims in a three-year appointment.



## Delivery Plan 2015-16 published

The AHRC published its Delivery Plan for the period 2015-2016. The high-level plan sets out the principles, priorities and approaches to achieve this plan. The key objectives for this period follow from the central element of its mission as set out in *The Human World: AHRC Strategy 2013-18* and follows from strengths established in its Delivery Plan 2011-15.

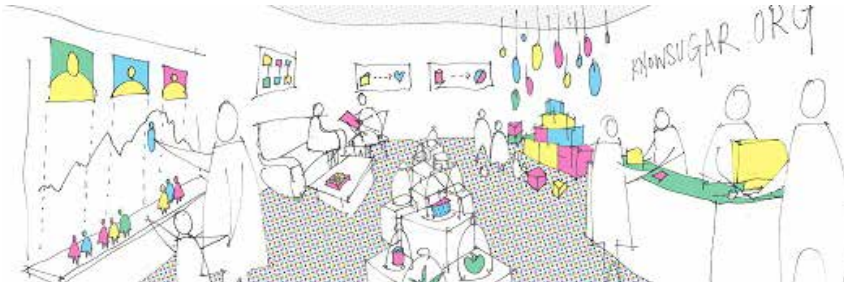
## AHRC joins NERC and BBSRC in Policy Internship Scheme

May saw the AHRC join the Natural Environment Research Council and Biotechnology and Biological Sciences Research Council policy internship scheme, which gives PhD students funded by any of the three research councils the invaluable opportunity to spend three months working in an influential policy organisation. For AHRC-funded students the host organisations available are British Library, National Assembly for Wales Research Service, Royal Society and Scottish Parliament Information Centre.



## BBC World War One At Home on tour

AHRC-funded researchers were involved in a major BBC roadshow that featured the World War One at Home project. Over a five-month period, the roadshow toured more than 40 venues, including county shows, summer festivals, air shows and shopping centres the length and breadth of the UK. The events reflected on the impact the war had on families and communities, as well as helping people to explore their own relatives' links to the war. Visitors to the events met experts from Imperial War Museums and the BBC/AHRC 'World War One at Home' researchers to discover their families' connections to the war.



## Pop-up shop targets type-2 diabetes

The Know Sugar Shop opened in a shopping centre in Dundee in August to test an idea that has the potential to change Scotland's relationship with sugar. With around 220,000 people estimated to have type-2 diabetes, and a further 20,000 having gone undiagnosed in Scotland, the

prototype attempted to highlight the amount of hidden 'bad' sugars consumed in Scotland every day. The project was initiated by Design in Action, one of four AHRC-funded Knowledge Exchange Hubs for the Creative Economy, in partnership with Healthier Scotland.

## Mapping legal 'crossroads of Empire' summer exhibition

An exhibition originating from an AHRC-funded Networks grant and highlighting what was formerly the highest court of appeal for most colonies of the British Empire opened in London in July. Visitors to the free exhibition at the Supreme Court were introduced to the story of its international sister court, the Judicial Committee of the Privy Council (JCPC), which, at one stage, could hear appeals from around a quarter of the world's population. The JCPC still serves around 30 Commonwealth countries and British Overseas Territories.

The specially-commissioned exhibition offered snapshots from the caseload of the JCPC, from its modern formation in 1833 to the emergence of the Commonwealth in the 1950s.



## Cardiff connects at a two-day festival

Cardiff was the backdrop to a two-day Connected Communities Festival in early July giving the public a chance to get involved in archaeological digs, discover their connection to World War One, watch performances and film screenings, take part in discussion and debate, and much more. The events were undertaken by award-holders and community partners of Connected Communities, a cross-Council programme led by the AHRC.

## All Research Councils to tackle antimicrobial resistance on all fronts

Greg Clark, Minister for Science and Universities, announced in July that for the first time all seven Research Councils would collaborate on the ever-growing problem of antimicrobial resistance. The cross-council AMR initiative is coordinating the work of medical researchers, biologists, engineers, vets, economists, social scientists, mathematicians and even designers, to address all aspects of the multi-faceted problem.

## AHRC Cultural Value Project – mid-term report published

The Cultural Value Project – a research initiative set up by the AHRC to investigate the value that the arts and culture bring to individuals and to society – published its mid-term report in September. The report suggested that the project itself, which is supporting nearly 70 academically-led, individual projects, is influencing a change in the character of the debate around cultural value. The full report is due in late 2015.



## The future of connected objects unveiled at London Design Festival

Prototypes created for the 'internet of things' and made by University of Bristol academics in collaboration with creative and tech entrepreneurs from across the UK were showcased at Christies in September as part of the London Design Festival. Talking taxidermy that brings to life the brutal history of the 'plume boom', a magical object to connect speaker and listener via sound, light and touch, and a storyteller to help pupils learn about the difficult history of the slave trade were among the objects developed as part of the latest round of commissions from REACT, one of the AHRC's four Knowledge Exchange Hubs for the Creative Economy.

## The Academic Book of the Future begins its work

The AHRC and the British Library launched a two-year research project in September to explore the future of academic books in the context of open access publishing and continuing digital change. Dr Samantha Rayner, Director of the Centre for Publishing at the University College London (UCL), leads the project 'Communities of Practice: The Academic Book of the Future' alongside colleagues Simon Tanner and Professor Marilyn Deegan from King's College London and Nick Canty from UCL. A combination of large scale scoping work and more focused mini-projects will ensure that opinions, approaches and ideas of the academic, publishing and library communities are heard from the UK and beyond.



## Support for researchers in the Arts and Humanities post-doctorate

The AHRC and the British Academy announced the results of a survey that highlighted the issues faced by arts and humanities researchers in the period immediately following doctoral study. The report gives insights into the diversity of roles, opportunities and employment that researchers who work for research organisations undertake immediately after their doctorate, and their needs and aspirations at this stage of their careers. The research was conducted by Oakleigh Consulting Ltd by an online survey and interviews with a selection of research organisations in the UK and with early career researchers (ECRs) in the arts and humanities.

## Parliamentary event highlights Big Data

An event was held in the Houses of Parliament and organised by Research Councils UK and POST (Parliamentary Office for Science and Technology) to raise awareness of the ways in which 'big data' research is developing in areas from health to food and from security to public policy. The event attracted MPs and peers who met with researchers from all disciplines including the arts and humanities.

## Landmark archive of 10 million Gaelic words launched

Researchers completed the first phase of the world's most extensive digital archive of Scottish Gaelic texts as part of a landmark project to revolutionise access and understanding of the language to public around the world. The Digital Archive of Scottish Gaelic (DASG) project is already the most comprehensive publicly accessible reference point for the Gaelic language and culture, having been worked on by researchers from Celtic and Gaelic at the University of Glasgow for the past eight years. DASG was established in 2006 and is funded by the AHRC, the British Academy, the University of Glasgow, Faclair na Gàidhlig, Bòrd na Gàidhlig, the Scottish Funding Council and the ESRC.



## Ming: 50 years that changed China

The British Museum launched a major exhibition – ‘Ming: 50 years that changed China’ – in the new Sainsbury Exhibitions Gallery. The exhibition was underpinned by research funded by the AHRC and explored the years 1400-1450, a pivotal 50-year period that transformed China during the rule of the Ming dynasty. It included rare loans of some of the finest objects ever made in China, shedding light on this important period of world history that is little known in Europe.



## First national humanities festival launched

The UK's first national humanities festival launched in November. Being Human included more than 160 free-to-attend events across the UK, and attracted nearly 20,000 delegates. The AHRC partnered with the School of Advanced Study and the British Academy to organise the festival.

## Bristol and Bath to be at centre of new design research project

A new research project to examine the use of design in businesses and public sector organisations



in Bristol and Bath was launched in November. The research project, Bristol & Bath by Design, brings together experts from the University of the West of England (UWE), the University of Bristol and Bath Spa University, drawing on expertise in design, creative arts, business and law, and mechanical engineering. They will work together to undertake the first comprehensive analysis of design in the region.

## Book on Scottish towns wins prestigious book award

An exhaustive piece of academic research co-authored by history Professors Bob Harris of Oxford University and the late Charles McKean of Dundee University has beaten off stiff competition from an array of new and established names in contemporary Scottish literature to claim the 2014 Saltire Book of the Year Award, sponsored by Creative Scotland.

The winning book, *The Scottish Town in the Age of Enlightenment 1740-1820*, explores how Scotland's 18th-century burghs improved themselves and the significance of this for modern understanding of a society in a state of transition.



## Dirt provides new insight into Roman burials

The first scientific evidence of frankincense being used in Roman burial rites in Britain was uncovered by a team of archaeological scientists led by the University of Bradford. The findings prove that, even while the Roman Empire was in decline, these precious substances were being transported to its furthest northern outpost. The discovery was made by carrying out molecular analysis of materials previously thought to be of little interest – debris inside burial containers and residues on skeletal remains and plaster body casings. Until now, evidence for the use of resins in ancient funerary rites has rarely come to light outside of Egypt.



## Eight researchers selected to present events at Cheltenham Music and Jazz Festivals

Fourteen researchers were selected to curate events at the 2015 Cheltenham Festivals, following an open call at the end of 2014. The call invited arts and humanities researchers to submit innovative, interactive public engagement event proposals that showcased

their research, and which tied into the Festivals' themes. The selected researchers, which range from PhD students to senior researchers, will work with producers to refine their event ideas for the Cheltenham Science, Literature, Jazz and Music Festivals.



## AHRC tenth anniversary

The AHRC's tenth anniversary began with the launch of an online timeline showing the highlights of the AHRC's and AHRB's history since 1998. Plans were also announced for a series of national debates, a Research in Film competition, a highlight notice under the Follow-On Fund and many other activities to be undertaken over 2015.

## AHRC-funded historian brings Wolf Hall alive

Historian Kirsten Claiden-Yardley, whose doctoral research was funded by the AHRC, played a key role in creating the world of *Wolf Hall*, the BBC's dramatization of Hilary Mantel's Man Booker Prize-winning novel. The six-part adaptation first aired on BBC2 in January and was well received, being described as 'masterful' (Serena Davies, *Daily Telegraph*), 'sumptuous, intelligent and serious' (Sam Wollaston, *The Guardian*) and has been tipped to 'win a tonne of awards' (Rachel Cooke, *New Statesman*).

Kirsten worked as a production researcher, primarily with director Peter Kosminksy before filming of the series started. The work involved researching the environment in which the story was set and dealing with a variety of queries ranging from the work by Thomas Cromwell, the etiquette of dining at court to specific events as well as advising the Art and Costume departments in order to get the look and feel right. Kirsten undertook her PhD at Merton College Oxford, researching Tudor noble identity and commemoration. This was funded by the AHRC as part of a wider project called Representing Re-Formation.



## UK research showcased at festival in India

UK researchers showcased innovative collaborations in London and India as part of the UnBox Festival launched in January 2015. The projects showcased at the three-day festival in India included consideration of the future of retail in the digital age, musical evolution in the West, and an auditory experience that demonstrated how sound changes perceptions of space. An immersive environment created in New Delhi and at the Southbank Centre London allowed audiences to interact and explore the potential of hybrid digital spaces.

## From 'Made in China' to 'Designed in China': new copyright research centre opens in Ningbo

As China's economic focus continues to shift from manufacturing to design, a new research centre examining Chinese digital copyright was launched at the University of Nottingham Ningbo in March. Combining British and Chinese expertise, the AHRC Digital Copyright and IP Research Centre in China will investigate the global copyright challenges and opportunities for creative and tech industries.

The Centre is supported by a £500,000 grant from the AHRC and Newton Fund over two years with match funding from the Ningbo Science and Technology Bureau. It will act as a key national research hub with links to related projects and research groups in Beijing, Shanghai and other major cities.

## Conflict Theme Leadership Fellow announced

In February the AHRC and the ESRC jointly announced the appointment of a Theme Leadership Fellow for the new Conflict Theme within the Partnership for Conflict, Crime and Security Research (formerly RCUK Global Uncertainties Programme). Professor David Galbreath, Professor of International Security at the University of Bath, will provide intellectual and strategic leadership for the further development of the theme. The Conflict Theme covers a very wide range of research issues: from the causes and emergence of conflict, to the prosecution and consequences of conflict and how to end conflict and deal with its legacy.

## Brighton Fuse Freelancer Report receives national media coverage

An AHRC-funded study released findings that suggested that self-employment in the Creative-Digital-IT sector fuels prosperity and success. The growth of self-employment in the UK economy is often interpreted negatively, with claims that this is a second-class status, unstable, and enforced through necessity. Yet, new research by the Brighton Fuse project focused on the Creative-Digital-IT (CDIT) cluster in Brighton, demonstrated that freelancers enjoy good incomes and are satisfied with their employment. The research received significant national broadcast coverage.





## Magna Carta exhibition showcases AHRC-funded research

A major new exhibition, Magna Carta: Law, Liberty, Legacy, opened in March at the British Library. Among the treasures on display are two original 1215 Magna Carta manuscripts, the unique 'draft' of Magna Carta, known as the Articles of the Barons (1215), and Thomas Jefferson's handwritten copy of the Declaration of Independence.

This landmark exhibition opened by HRH The Prince of Wales was underpinned by research undertaken on a major Magna Carta research project funded by the AHRC in the run up to the 800th anniversary of this pivotal legal document.



## Living and working together – England's immigrants in the Middle Ages

A major new research database revealing extraordinary data on immigration in England in the late medieval period was launched in March by the University of York, in partnership with the Humanities Research Institute at the University of Sheffield and The National Archives.

The database reveals evidence about the names, origins, occupations and households of a significant number

of foreign nationals who chose to live and work in England in the era of the Hundred Years War, the Black Death and the Wars of the Roses. The project contributes to debates about the longer-term history of immigration to Britain, helping to provide a deep historical and cultural context to contemporary debates over ethnicity, multiculturalism and national identity.



## World War One Engagement Centres launched

Five World War One Engagement Centres begin their work around the UK to connect public and academic histories of the First World War. The Living Legacies centre in Belfast opened with a new play about the Belfast men who fought at the Somme and Passchendale while the Everyday Lives in War centre at the University of Hertfordshire opened with a roadshow event in June. In Birmingham the Voices in War centre opened with a day-long event that included a strong schools presence. By July all five centres were open, including Gateways to War and Peace at the University of Kent and the Centre for Hidden Histories at the University of Nottingham. The centres are funded by the AHRC working in partnership with the Heritage Lottery Fund (HLF).



Courtesy: IWM





## Beer52 founder is named one of Forbes' top six young entrepreneurs to watch in the UK

James Brown, founder of online beer-ordering service Beer52, was named as one of Forbes' top six young entrepreneurs to watch in the UK. Beer52 works with independent microbreweries across the UK, offering a delivery service that enables them to reach new customers, and those customers to discover a range of new beers.

The model for Beer52 was born out of a workshop in April 2013 run by Design in Action, a Dundee-based Knowledge Exchange Hub supported by the AHRC to help business develop new ideas and ways of working by connecting them with academics, designers and other creatives.

## New centre to enhance wellbeing

A new centre was launched in October to gather and share evidence on what works to improve wellbeing in society. The independent What Works Centre for Wellbeing is the latest addition to the What Works Network, launched by the Government in 2013 to improve public services through evidence-based policy. It builds on the work of the Office for National Statistics to measure national wellbeing, and of the Commission on Wellbeing and Policy, chaired by Lord Gus O'Donnell, who is also chairing a development group to get the What Works Centre for Wellbeing up and running.

Funded by the AHRC, ESRC, Public Health England and other partners, including government departments, the new centre will soon be commissioning universities to research the impact that different interventions and services have on wellbeing

## New Evelyn Waugh website launched

The Complete Works of Evelyn Waugh project launched a new website in June giving public access to a huge range of resources on the author. The website accompanied The Complete Works of Evelyn Waugh project – a scholarly edition that seeks to publish every piece of writing or artwork by Waugh. The researchers hope that the public elements of the website will prove to be an indispensable, lasting resource for anyone interested in researching Waugh and that it will also open channels allowing the public to contribute to the academic project.



## AHRC-research revealed at GREAT Festival in Shanghai

Explorations of copyright in the digital age and lessons from the UK's thriving creative and digital sectors were part of a unique international festival celebrating British business creativity and innovation in China, including AHRC-funded research, in March. The GREAT Festival of Creativity was opened by HRH The Duke of Cambridge and showed UK innovation at its very best in sectors such as fashion, design, health, technology and entertainment, demonstrating that the UK is a world-class destination for trade, tourism, investment and education to generate jobs and growth.



# Strategic Report



## Fair review of AHRC business

### Brief history and statutory background

The Arts and Humanities Research Council (AHRC) was founded as a Research Council and received its Royal Charter in 2005, having been in existence as a Research Board, the AHRB, since 1998. In 2010 it moved from premises in central Bristol to Polaris House in Swindon from which it operates alongside the other Research Councils and RCUK. It is marking its tenth anniversary as a Research Council in 2015 with a series of activities designed to highlight its role over a decade as a funder of world-class arts and humanities research. The AHRC is a Non-Statutory Public Body established by Royal Charter.

### Nature of organisation

The AHRC funds world-class research in a wide range of subjects: ancient history, modern dance, archaeology, digital content, philosophy, English literature, design, the creative and performing arts, and much more. The quality and range of research supported by this investment of public funds, provides economic, social and cultural benefits to the UK.

### Performance and position of organisation

The AHRC is unique among international funding bodies in its focus on arts and humanities research. According to the results of Research Excellence Framework 2014, 30% of the non-Quality Related (HEFCE) funding in the arts and humanities came from AHRC. As 30% of the current research base, arts and humanities research has a major impact on the UK's cultural offering, from theatres, exhibitions and heritage sites to the books we read and the way we understand our history. AHRC's support is key to this offering. It enables researchers to form new collaborations and break new boundaries, and provides training for a new generation of researchers to contribute to a more collaborative approach to research and to engage with partners in the cultural and creative sectors.

The Council has particular strengths in its contributions to social, cultural and economic innovation in relation

to the UK's creative economy, and is a valued partner in prestigious and pioneering partnerships that shape the face of the cultural sector. Partnering with the National Centre for Universities and Business, Higher Education Institutes and small and medium sized enterprises in the digital sector, for example, enabled AHRC to deliver Brighton Fuse, a ground-breaking study into the nature of growth within the creative and digital sector in Brighton. The research model was so successful that it has gone on to underpin studies in different creative sectors in the South West and development in the North East.

### Forward performance

The AHRC will continue to be committed to funding excellent research across the breadth of the arts and humanities, facilitating partnerships and initiatives to enable researchers to collaborate nationally and internationally and to engage with non-academic organisations. The Council's research strategies will be increasingly driven by emerging themes and trends identified by the research community. This will accompany more specific and targeted communication with Research Organisations to ensure that they are well placed to benefit from the funding opportunities provided by AHRC. Our support to postgraduates will continue to shape the nature of research training in the arts and humanities, providing doctoral opportunities that provide training in collaboration and partnership building, and broader transferable skills. This will ensure that the UK's arts and humanities graduates are armed with the agility to continue to contribute to the UK's rich cultural and creative sectors and ever-changing research base.

### Principal risks and uncertainties

AHRC's risk management process is designed to manage risk and not eliminate it. The quarterly review process allows risk owners to comment on mitigation actions and provide assurance that risks are being managed.

Strategic risks are identified through the Risk Management Committee and Senior Management Team and are regularly reviewed by Audit Committee and Council, who pay particular attention to those highlighted as significant high-level risks. It is through this process that AHRC is able to manage the key headline risks that impact on the delivery of the AHRC's programmes and operations and

enables mitigating actions to be agreed and implemented.

The principal operational risks for AHRC are the challenges posed by the shared services environment while the principal strategic risks are those involving AHRC's need to provide an appropriately robust evidence base of the value of current activities and the sustained impact of previously funded work and the need to enable researchers to deliver their full potential for excellent research and wide benefits to society and the economy.

## Going Concern

The financial statements have been prepared on a Going Concern basis. For full disclosure please refer to Note 1(a) of the Accounts.

## Performance against key performance indicators

The AHRC's performance is measured against objectives across a large number of areas, helping the Council to provide funding across the range of disciplines within the arts and humanities to academics carrying out excellent research at every stage of their career. Our Key Performance Indicators (KPIs) ensure that AHRC funding responds to the requirements of the research community and results in research that fosters new collaborations with non-academic partners, informs public policy and ensures UK researchers are key players on the international stage.

In 2014-15, 46% of the grants awarded by AHRC included non-academic partners, representing an increase from

Outturn			
£000	Resource	Capital	Total
Allocation	102,756	5,000	107,756
Outturn	102,855	5,265	108,121
<b>In year (Overspend)</b>	<b>(99)</b>	<b>(265)</b>	<b>(365)</b>

a) Reconciliation of Net Resource Expenditure Between Allocation, Outturn and Accounts

<b>BIS Allocation</b>	
Administration	3,911
Programmes	98,641
Capital	5,000
Depreciation	204
<b>Sub Total Allocation</b>	<b>107,756</b>
Administration Expenditure per Management Accounts	3,898
Programmes Expenditure per Management Accounts	98,750
Capital Expenditure per Management Accounts	5,265
Depreciation Expenditure per Management Accounts	208
Final AHRC Overspend	<b>(365)</b>
<b>Expenditure per Management Accounts</b>	<b>108,121</b>
UK SBS Notional Service charge	1,071
Early Retirement Provision (AME)	(2)
<b>Total Comprehensive Net Expenditure</b>	<b>109,190</b>



38% during the previous year. Collaboration with non-academic partners on training grants is even higher at 59%, compared with 48% in 2013-14. This is an important trend, signifying a new generation of arts and humanities researchers gaining experience of engagement with non-academic partners at the outset of their careers. The size of the AHRC student cohort makes this figure particularly significant; it stood at 2,518 at the end of the 2014-15 financial period. In total, non-academic collaboration on AHRC grants awarded at all career stages resulted in over £10 million of leveraged funding from almost 800 different organisations during 2014-15. The total amount leveraged from all of the research grants that were active at the end of the 2014-15 financial period stood at over £16m.

Ensuring equality and diversity across awards is of key importance to the Council. Of our current grant portfolio, 42% of all funded researchers (Principal Investigators (PIs) and Co-investigators) are female. This number remains the same when looking at the gender breakdown among PIs who currently hold grants, and has increased during 2014-15, where 48% of the PIs on all successful grants were female. The proportion among students with AHRC funding is higher still, with 57% of AHRC studentships being awarded to female applicants in 2014-15.

## Financial performance

The accounts for the year ended 31 March 2015 records comprehensive net expenditure for the year of £109.2m (2013-14 £107.6m). Research expenditure has increased to £64.7m (2013-14 £59.9m), which is mainly due to an increase in expenditure in the thematic area. Postgraduate expenditure has decreased to £39.2m (2013-14 £42.2m), which is due to the first cohort of the Block Grant Partnerships coming to an end. Other expenditure is in line with the previous year at £2.4m (2013-14 £2.4m).

The Statement of Financial Position records Receivables of £10.1m (2013-14 £12.1m) and Payables of £4.6m (2013-14 £6.7m). The cash amount held is £4.0m (2013-14 £7.5m). Total Grant-in-Aid drawn down was £104.6m (2013-14 £106.5m).

AHRC has ended the financial year within 1% of their updated allocation.

## Creditor payment policy

AHRC observes HM Treasury Guidance and makes every effort to pay creditors within five days of receipt of invoice. Where this is not possible, the AHRC observes the CBI's Prompt Payers' Guide, and adheres to the Principles of the Prompt Payers' Code, endeavouring to ensure compliance with the agreed terms of payment of creditors' invoices and to pay them within 30 days of receipt of goods and services. During 2014-15 an average of 86% of payments were made within five days (2013-14 83%).

## Efficiency

As set out as part of the 2010 Spending Review settlement, the Research Councils have been implementing an efficiency programme to drive down the costs and overheads associated with research. The efficiency savings derived from this programme are being re-invested in research.

For further details on the RCUK Efficiency Programme please refer to the Governance Statement on page 36.

The Professional Support Unit (PSU) was established in 2013 to provide professional services in Facilities, Finance, Human Resources, Information Technology, Project Management and Reprographics to three Research Councils: Arts and Humanities Research Council (AHRC), Engineering and Physical Sciences Research Council (EPSRC) and Economic and Social Research Council (ESRC).

The purpose of the PSU is to deliver economies of scale, reduce costs and harmonise the policies and processes it operates on behalf of the three Councils. In order to achieve its aims, the PSU will not only receive direction from the PSU Management Board to implement change but also possess the authority to propose and create efficiencies and harmonisation to benefit the three Councils, which will include:

- value for money
- synergies of shared resource
- improvement and streamlining of policies and procedures through the pooling of best practice via harmonisation.

## UK Shared Business Services Ltd (UK SBS)

UK SBS provides operational and transactional services to AHRC covering Finance, Human Resources, Information Systems, Procurement and Payroll. A review of UK SBS service delivery and the associated assurance issues are covered elsewhere within the Governance Statement.

## Diversity and equality

AHRC policy on recruitment and selection is based on the Equality Act 2010 and focuses on the ability of the candidate to perform the job regardless of gender, colour, ethnic or national origin, disability, age, marital status, sexual orientation or religion. If disability should occur during employment, the Research Council would make every effort to maintain employment and to ensure the availability of adequate retraining and career development facilities.

AHRC holds 'two ticks' Positive About Disabled People status, which is awarded to employers who have made a commitment to employ, keep and develop the abilities of disabled staff. The annual review was successful and retention of the award was confirmed for a further year.

AHRC has agreed to embrace the Mindful Employer initiative. PSU HR attends seminars and networking events involving other organisations. The initiative indicates a positive attitude about mental health, and demonstrates AHRC's commitment to improving the working lives of its employees.

PSU HR is working with the three Councils it supports to source, develop and introduce unconscious bias training for employees, board and committee members and external reviewers. This training will commence towards the end of the 2014-15 reporting year and run through 2015.

AHRC has worked closely with other Research Councils on Equality and Diversity during the year. As part of this dialogue a common format for reporting on Equality and Diversity statistics is being discussed that will ensure a consistent approach to the publication of cross-Council data by RCUK.

## Employee engagement

Employee involvement in management and policy matters continues through ongoing dialogue between all colleagues within AHRC. PSU, which was formed in 2013-14 and hosted by AHRC, continues to engage with colleagues to facilitate management and policy matters for HR, Finance, IT and Project work in support of AHRC, ESRC and EPSRC.

AHRC continues to recognise, and consults with, the Public and Commercial Services Union and Prospect on issues relating to pay and terms and conditions of employment. Consultation takes place through the Joint Negotiation Consultative Committee meeting on a quarterly basis. During the year the move to a harmonised set of non-pay employment terms and conditions has continued.

## Health and safety

AHRC is a joint member of a cross-Research Council Health and Safety Committee. This Committee considers and manages health and safety for EPSRC, ESRC and AHRC, and is supported and managed by PSU HR. The Committee has developed and implemented a common health and safety policy across the three Research Councils and has a continuous programme of inspections and engagement with employees in the three Research Councils. Joint Building and Office Services continues to provide health and safety support and administration across the seven Research Councils, relating to induction of new starters, first aid and fire safety.

## Staff report

The number of persons of each gender who were employed by AHRC shown as average full-time equivalents over the year ended 31 March 2015 is as follows:

	Male	Female
Directors	3	0
Senior managers	4	5
Other employees	25	47
<b>Total</b>	<b>32</b>	<b>52</b>



## Environmental policy

Due to its headcount and the floor area it occupies AHRC is out of scope and has received an exemption from BIS for reporting against the Greening Government and Sustainability requirements.

The Natural Environment Research Council (NERC) has developed a Cross Council Environment Policy, which is supported by AHRC. AHRC continues to work with other Research Councils and tenants of Polaris House, Swindon in ensuring the building's impact on the environment is as limited as possible. Currently 91% of waste is recycled – paper, metal, plastic, wood, food waste, old PCs and printers, mobile phones, toner cartridges, batteries and spectacles are all routinely recycled. An environmental plan for the site contains a number of objectives including ongoing waste reduction, introducing solar electricity and water heating, promoting and encouraging a site culture of recycle, reduce and reuse and enhancing the natural environment on site through introducing flora and fauna.

A Green Travel Plan for Polaris House has also been written and endorsed by RCUK's Executive Group to promote sustainable travel and reduce the environmental and social impacts of travel – both commuting and business travel. The plan outlines a number of short, medium and long term objectives, including promoting car share schemes and working with Swindon Borough Council to open park and ride schemes and improve bus facilities.

NERC takes overall responsibility for the environmental policy in Polaris House and a fuller Sustainability Report is given in their Annual Report and Accounts at [www.nerc.ac.uk](http://www.nerc.ac.uk).

**Professor Rick Rylance**  
Accounting Officer  
9 June 2015

# Directors' Report

## Council and Management Board members

The membership of AHRC Council and main advisory boards are listed on pages 26-27. Council members' remuneration is listed in the Remuneration Report (page 34) along with their remuneration for 2014-15. The chairman of AHRC Council is Professor Sir Drummond Bone and the Chief Executive Officer is Professor Rick Rylance.

## Conflicts of interest

The potential conflicts of interest for AHRC are fully disclosed in note 20 to the accounts on page 68.

## Auditors

The accounts have been audited by the Comptroller and Auditor General, who has been appointed under statute and is responsible to Parliament. The cost of the audit was £46k. No remuneration was paid to the external auditors in respect of non-audit work in 2014-15.

Internal audit was provided independently by the Research Councils' Audit and Assurance Services Group (AASG). AASG reports annually to the Audit Committee. The cost of internal audits and funding assurance undertaken during 2014-15 was £52k. No remuneration was paid to the internal auditors in respect of non-audit work during 2014-15.

The Accounting Officer has taken all reasonable steps to ensure that he is aware of any relevant audit information and to ensure that the Council's auditors are aware of that information. As far as the Accounting Officer is aware, there is no relevant audit information of which AHRC auditors are unaware.

## Directors' Review

We as Management have ensured that the National Audit Office team have been given all that they need in order to complete their audit.

## Sickness absence data

PSU Human Resources and the Research Council management monitor staff sick absences on an ongoing basis with all sickness absences followed up by a return to work interview in line with the harmonised Research Council Sickness Absence Policy. Short-term and long-term absences are managed on a case-by-case basis with appropriate support from an Occupational Health Physician.

	2014-15	2013-14
Average number of staff during year	84	89
Total days lost to sickness	783	616
Average working days lost	9	7
Days lost to long-term absences	454	364

Common cause of absence	Days lost	%
Cold/Flu	134	17%
Chronic Fatigue	138	18%
Gastrointestinal	125	16%
Bowel/Abdominal	65	8%
Back Problems	52	7%
<b>Totals</b>	<b>514</b>	<b>66%</b>

## Pension liabilities

The accounting treatment of pension liabilities and details of AHRC's pension schemes are fully disclosed in the Remuneration Report (page 31), accounting policy note 1(p) (page 55) and note 3(b) to the accounts (page 58).

## Personal data related incidents

There were no protected personal data related incidents formally reported to Information Commissioner's Office in 2014-15.

Please note that AHRC data security policy and controls are disclosed in the Governance Statement on page 40.



### Summary of other protected data related incidents in 2014-15.

Category	Nature of incident	Total (number)
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	0
II	Loss of inadequately protected electronic equipment, devices or paper documents	0
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	0
IV	Unauthorised disclosure	7
V	Other	7

## Freedom of information

Since its formation AHRC has been subject to the Freedom of Information Act. During 2014-15 AHRC provided information in response to 27 requests.

**Professor Rick Rylance**  
Accounting Officer  
9 June 2015



# AHRC structure

AHRC structure

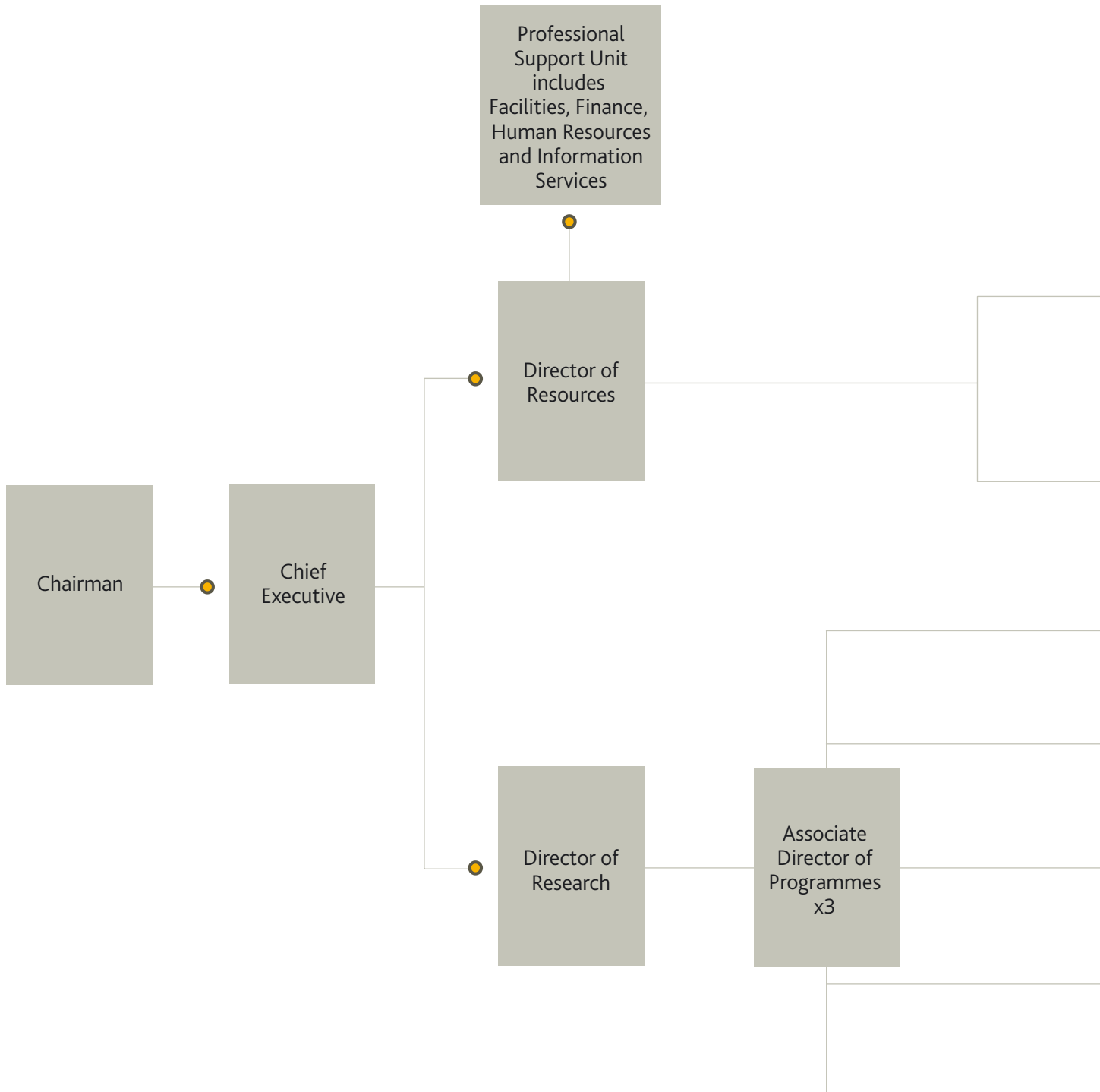
AHRC Council members and  
Committee members





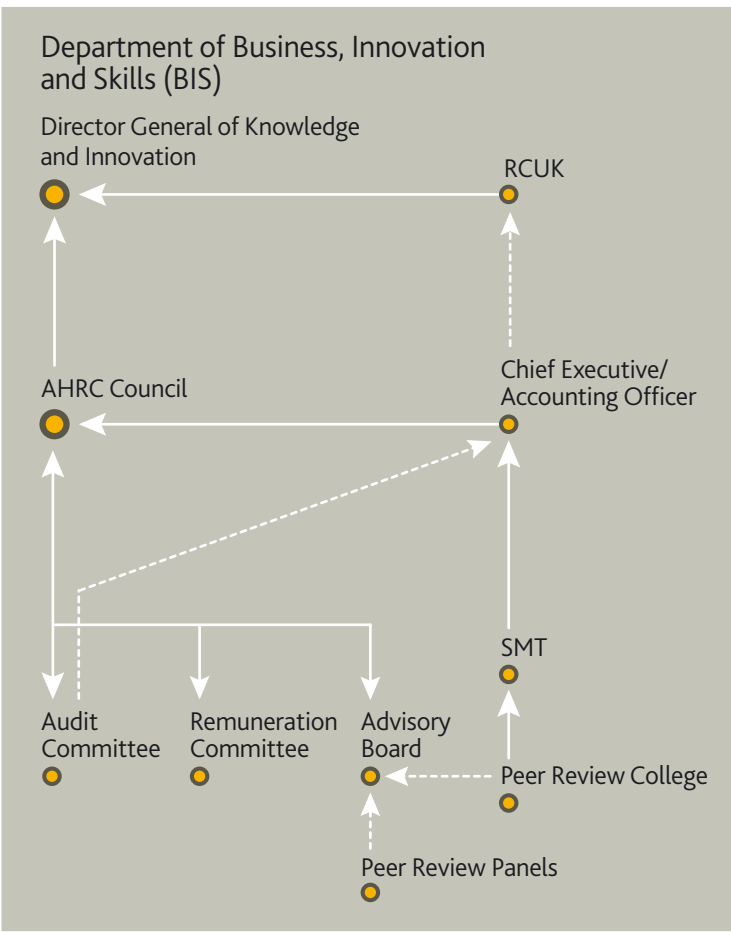
# AHRC Structure 2014-15

The Arts and Humanities Research Council's  
organisational plan and structure





- Secretariat
- Head of Communications and Team
- Head of Histories, Cultures and Heritage and Team
- Head of Languages, Literature and International Engagement and Team
- Head of Creative Arts and Digital Humanities and Team
- Head of Research Careers, Training and Peer Review and Team
- Head of Business Processes and Analysis and Team



# AHRC Council Members

From 1 April 2014 to 31 March 2015



**Professor  
Sir Drummond Bone**  
Balliol College, Oxford



**Professor  
Svenja Adolphs**  
University of Nottingham



**Ms Deborah Bull**  
King's College London



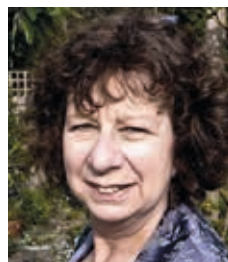
**Ms Jan Dalley**  
Financial Times



**Mr Robert Dufton**  
University of Sheffield



**Professor  
Sir David Eastwood**  
University of Birmingham



**Mrs Felicity Harvest**  
Creative & Performing Arts



**Professor  
Tom Inns**  
Glasgow School of Art



**Mr Anthony Lilley**  
Magic Lantern Productions



**Professor  
Fiona McPherson**  
University of Glasgow



**Professor  
Rick Rylance**  
Chief Executive, AHRC



**Professor Bernard  
Silverman**  
Chief Scientific Adviser,  
Home Office



**Mr Trevor Spires**  
retired, ex-Royal Navy



**Professor  
Andrew Thompson**  
University of Exeter  
Care for the Future Theme  
Fellow



**Professor  
Greg Walker**  
University of Edinburgh



# AHRC Committee Members

The Council must ensure that the AHRC operates in accordance with the objects enshrined in its Royal Charter.

It is also responsible for ensuring that the AHRC complies with requirements contained in the Management Statement and Financial Memorandum, which set out the relationship between the Research Council and the Department for Business, Innovation & Skills (BIS). In relation to the Financial Memorandum, Council has responsibility for the overall financial management of the AHRC. The Chief Executive of the AHRC is the Accounting Officer and as such is accountable to the Permanent Secretary for BIS.

Members of Council, including the Chair and Chief Executive, are appointed by BIS. Professor Sir Drummond Bone is the Chairman and Professor Rick Rylance the AHRC Chief Executive. Further information about them and other members of Council can be found in the Remuneration Report. Appointments are made in accordance with the Code of Practice for Public Appointments. The Director of Research Base at BIS attends Council meetings as the representative of the Secretary of State for BIS.

Council is advised by its Committees, Boards, peer-review panels and working groups. Council has formally delegated responsibility for decisions on granting awards to the relevant subject panels, which operate through a system of rigorous peer review.

Members of Council and senior staff in AHRC are required to declare any potential conflicts of interest in the Register of Interests, which is available on request. Council members' details can be reviewed on the AHRC website: [www.ahrc.ac.uk](http://www.ahrc.ac.uk)

## Audit Committee

**Professor Mike Braddick** (University of Sheffield)

**Ms Jan Dalley** (Financial Times)

**Dr Catherine Martin** (University of Edinburgh)

**Mr Trevor Spires** Chair (ex-Royal Navy)

**Mr Robert Williams** (University of Oxford)

## Remuneration Committee

**Professor Sir Drummond Bone** Chair  
(Balliol College, Oxford)

**Ms Jan Dalley** (Financial Times)

**Professor Sir David Eastwood**  
(University of Birmingham)

**Professor Rick Rylance** (AHRC Chief Executive)

## Advisory Board

**Professor David Archard** (Queen's University Belfast)

**Ms Rebecca Bailey** (Royal Commission on the Ancient and Historical Monuments of Scotland (RCAHMS))

**Professor Anne Boddington** (University of Brighton)

**Ms Gina Fegan** (D-Media Network)

**Mr Dominic Gray** (Opera North)

**Dr JD Hill** (British Museum)

**Professor Matthew Hilton** (University of Birmingham)

**Professor Andrew McRae** (University of Exeter)

**Professor Sita Popat** (University of Leeds)

**Professor Jennifer Richards** (University of Newcastle)

**Professor Stephen Shute** (University of Sussex)

**Professor Claire Taylor** (University of Liverpool)

**Professor Greg Walker** Chair (University of Edinburgh)

**Professor Greg Woolf** (University of London)

# Accounts

Remuneration Report

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Accounts







# Remuneration Report

## Unaudited information

### Remuneration Policy

The remuneration of the Chief Executive of AHRC is decided by a Remuneration Panel chaired by the BIS Director General of Knowledge and Innovation and approved by the BIS Permanent Secretary.

The performance of AHRC Directors is assessed annually by the Remuneration Committee. It is chaired by the Chair of Council with the AHRC Chief Executive and other members of the Council serving as members, taking into account the following:

- benchmarking against comparators in other Research Councils
- annual increases agreed for other staff pay grades within AHRC
- BIS and Government pay policy guidelines and constraints

All remuneration increases are subject to a satisfactory performance assessment. The amount of any non-consolidated one-off bonus payment is determined by the level of performance rating within the year

The remuneration of AHRC's Council members and Chairman is reviewed annually by BIS.

### Contracts of Employment

#### Chief Executive

Professor Rick Rylance was initially appointed as Chief Executive for a four-year contract commencing on 1 September 2009 and this has been extended until 31 August 2017.

#### Directors

All Directors are employees of the AHRC. They do not have any specific contractual rights for compensation on termination of their contract.

The Chief Executive and all Directors are subject to a notice period of three months and any compensation awarded for early termination is subject to the terms and conditions of the Research Councils' Joint Superannuation Early Severance Scheme.

The Chairman and Council members receive a letter of

appointment from BIS and are not employees of the AHRC although remuneration is made through the AHRC payroll. The terms of appointment allow for members to resign from office by notice in writing to the Secretary of State. Members may also 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 appointment.

## Audited Information

### Salary and Pension Entitlements

The following sections provide details of the remuneration of the Council Chair, Council Members, Chief Executive and Directors of AHRC and the pension benefits of the Chief Executive and Directors of AHRC.

Reporting bodies are required to disclose the relationship between the remuneration of the highest paid director in their organisation and the median remuneration of the organisation's workforce. The median excludes the pension benefits disclosed in the Remuneration table opposite.

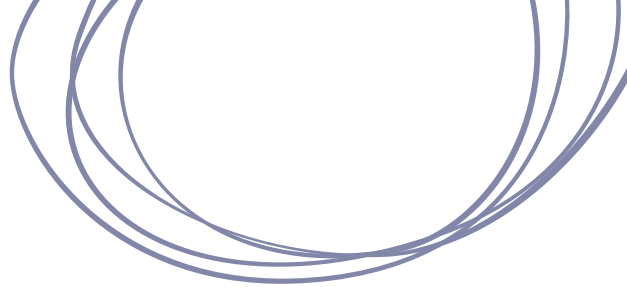
	2014-15	2013-14
Band of Highest Paid		
Director Total Remuneration <sup>1</sup>	175-180	140-145
Median Remuneration of AHRC's staff	28,975	28,384
Ratio	6.13	5.02

<sup>1</sup> The increase in the band of the highest paid director is due to the award of an appointment term bonus in addition to the annual performance award

Total remuneration includes salary, non-consolidated performance-related pay and benefits-in-kind. It does not include severance payments, employer pension contributions and the cash equivalent transfer value of pensions.

There has been an increase to the average annual earnings (excluding bonuses) for these members of staff of 3% between 2013-14 and 2014-15.

No senior staff at AHRC are in receipt of benefits-in-kind.



## Remuneration

Chief Executive and Directors	2014-15				2013-14			
	Salary (£000)	Bonus (£000)	Pension Benefits* (£000)	Total (£000)	Salary (£000)	Bonus (£000)	Pension Benefits* (£000)	Total (£000)
Professor Rick Rylance, Chief Executive	150-155 <sup>3</sup>	25-30 <sup>1</sup>	30-35	210-215	135-140	5-10	- <sup>4</sup>	140-145
Mr Graham Raikes, <sup>2</sup> Director	100-105	0-5	30-35	135-140	90-95	5-10	35-40	135-140
Professor Mark Llewellyn, Director	80-85	0-5	15-20	100-105	80-85	0-5	20-25	105-110

\* The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation or any increase or decreases due to a transfer of pension rights.

- 1 The bonus for Professor Rylance is made up of an end of term performance bonus of up to 10% of annual pay payable one year after he completed his first four-year term in 2013, and an annual and RCUK performance bonus for 2013-14.
- 2 Mr Raikes' salary includes a responsibility allowance of 10% for his work in the PSU. This is effective from 01/07/14 for one year.
- 3 Professor Rylance's salary includes an allowance of £35,000 p/a with effect from 1 July 2013 in recognition of his responsibilities as Executive Group Chair of RCUK. In addition Professor Rylance receives a detached duty lodging allowance capped at £1,250 per month.
- 4 The Pension Benefits figure for 2013-14 has been restated in line with guidance, negative pension benefits should be shown as nil, this has impacted the presentation of prior year figures.

In 2014-15 no employees received remuneration in excess of the highest-paid director (2013-14, nil).

Decisions on whether to award non-consolidated performance awards to Directors are made by the CEO in conjunction with the Remuneration Committee. Decisions are strictly performance based and made in accordance with Cabinet Office Guidance 'Senior Civil Service pay 2013-14' document published in March 2013 and Non-Consolidated Performance Related Pay (NCPRP) guidance set out in the Government's announcement in May 2010. Directors were awarded non-consolidated awards based on how well they achieved or exceeded their personal objectives given to them at the beginning of the appraisal period by the CEO and approved by the Remuneration Committee.

The Professional Support Unit (PSU) was created in 2013-14. Mr G Raikes, Director of Resources for AHRC, is also the Head of the PSU. In 2014-15 Mr Raikes acted as the Director responsible for service provision to each Research Council for all PSU services provided to that Council and he reports to the CEO of each of the Councils supported by PSU. A proportion of Mr Raikes' salary is recharged across the PSU Councils as part of the agreed PSU charging process. The Remuneration of the Head of PSU is determined by the employing Council's

Remuneration Committee. A PSU recharge is necessary to ensure each of the Council's costs fairly reflects the services received.

## Pensions

Pension benefits are provided through the Research Councils' Pension Scheme for all new staff except those eligible for membership of the Universities Superannuation Scheme.

### Research Councils' Pension Scheme (Unaudited Information)

The employees of AHRC are offered membership to the Research Councils' Pension Scheme (RCPS), which is an unfunded defined benefit scheme paid for by employee and employer contributions as well as annual grant-in-aid on a pay-as-you-go basis. The RCPS is in all respects 'by-analogy' with the Principal Civil Service Pension Scheme, except that the employer's contribution is determined separately. The scheme provides retirement and related benefits based on final or average emoluments. Redundancy and injury benefits are administered and funded by the Council. The scheme is administered by the Research Councils' Joint Superannuation Service with the associated grant-in-aid managed by BBSRC.

## Pension Benefits

(Audited information)

Chief Executive and Directors	Accrued pension as at 31-03-15 and related lump sum (£000)	Real increase in pension and lump sum at pension age (£000)	CETV at 31-03-15 (£000)	CETV at 31-03-14 (£000)	Real increase in CETV (£000)
Professor Rick Rylance, Chief Executive	43 Plus lump sum 130	2 Plus lump sum 5	1,270	1,124**	Information not available*
Mr Graham Raikes, Director	13 No lump sum	2 No lump sum	182	146	20
Professor Mark Llewellyn, Director	9 Plus lump sum 27	1 Plus lump sum 3	106	70	Information not available*

\*The USS does not provide this information.

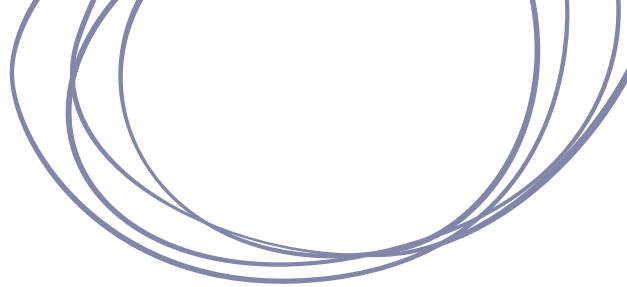
\*\*Restated as per advice from USS.

Employees may be in one of four defined benefit scheme arrangements; either a 'final salary' scheme (Classic, Classic Plus or Premium); or a career average scheme (Nuvos). Pensions payable are increased annually in line with changes in the Consumer Prices Index (CPI). The employer contribution rate is agreed by the RCPS Board of Management on the recommendation of the Government Actuary's Department (GAD) and is set at 26.0% of pensionable pay.

All public service pension schemes have been required to deliver savings following a review of public service pensions by Lord Hutton. These savings are equivalent to an average increase of 3.2% in employee contributions paid by most RCPS members. These increases were spread over three years, the first applied in April 2012, the second in April 2013 and the last due in April 2014.

Employee contribution rates are as follows:

Annual Pensionable Earnings (full-time equivalent basis)	Classic Scheme Contribution from 1 April 2014 %	Premium, Classic Plus and Nuvos schemes Contribution from 1 April 2014 %
Up to £15,000	1.50	3.50
£15,001-21,000	3.00	5.00
£21,001-30,000	4.48	6.48
£30,001-50,000	5.27	7.27
£50,001-60,000	6.06	8.06
Over £60,000	6.85	8.85



### **The Cash Equivalent Transfer Value (CETV)**

Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures include the value of any pension benefit in another scheme or arrangement that the individual has transferred to the Research Councils' pension arrangements and for which the RCPS has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax that may be due when pension benefits are taken.

### **The real increase in the value of the CETV**

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.

### **Universities Superannuation Scheme (USS)**

From September 2005, staff who join AHRC and have an existing pension with USS are offered continued membership of this scheme. The USS is a defined benefit scheme that is externally funded and contracted out of the State Second Pension. Employee contributions are set at 7.5% of salary until age 65 or 40 years' pensionable service is completed, whichever is earlier. Employer contributions are 16% of salary. Benefits accrue at the rate of 1/80th of

pensionable salary for each year of service. In addition a lump sum of 3/80ths of pensionable salary for each year of pensionable service is paid tax-free on retirement. Pensions payable are increased in the same manner and subject to the same conditions as are official pensions under the Pensions (Increase) Act 1971 and subsequent amendments. The increases are currently in line with changes in the Retail Price Index.

Further details about the Universities Superannuation Scheme arrangements can be found at [www.uss.co.uk](http://www.uss.co.uk)

### **Council Members' Remuneration**

Remuneration rates for Council Chair and Council Members are the same across Research Councils. The Department for Business, Innovation and Skills (BIS) advise Research Councils of the rates they are required to pay following an annual review.

Council Chair and Council Member appointments are Ministerial Appointments made by the Secretary of State for BIS. The process for new appointments to the Council Chair and Council Members follows the best practice outlined in the Code of the Commissioner for Public Appointments. This is available at [www.publicappointmentscommissioner.independent.gov.uk](http://www.publicappointmentscommissioner.independent.gov.uk). In accordance with the Code, vacancies are advertised nationally and a panel, including independent members, oversees the process. The panel reviews all applications, shortlists and interviews then makes a recommendation to the Secretary of State. Once the Secretary of State has made a final decision, an offer of appointment is issued by BIS on his behalf to the successful candidate.

Council Chair and Council Members are defined as Office Holders. They are neither employees nor civil servants. Appointments are made for four years initially with the possibility of reappointment for up to a further three years. Appointments are non-pensionable and there is no compensation for loss of office.

As well as an honorarium in recognition of their service to AHRC, Council Member are refunded for reasonable expenses. Members of Council who are civil servants are not entitled to receive an honorarium.

Council Chair and Council Members (Audited Information)	Period of Appointment	2014-15 Remuneration £000	2013-14 Remuneration £000
Professor Sir Drummond Bone (Council chair)	01/02/14 - 28/02/18	15-20	0-5
Professor Andrew Thompson*	01/09/10 - 31/08/18	35-40	35-40
Mr Anthony Lilley	01/09/13 - 31/08/17	5-10	0-5
Professor Sir David Eastwood	01/09/11 - 31/08/15	5-10	5-10
Ms Deborah Bull	01/09/13 - 31/08/17	5-10	0-5
Professor Ellen Douglas-Cowie	01/09/08 - 31/08/14	0-5	5-10
Professor Ewan McKendrick	01/09/10 - 31/08/14	0-5	5-10
Ms Felicity Harvest	01/09/11 - 31/08/15	5-10	5-10
Professor Greg Walker	01/09/11 - 31/08/15	5-10	5-10
Professor Fiona McPherson	22/09/14 - 31/08/18	0-5	-
Ms Janet Dalley	01/09/13 - 31/08/17	5-10	0-5
Professor John Butt	01/09/10 - 31/08/14	0-5	5-10
Mr Robert Dufton	22/09/14 - 31/08/18	0-5	-
Mr John Howkins	01/09/08 - 31/08/13	-	0-5
Professor Tom Inns	22/09/14 - 31/08/18	0-5	-
Dame Lynne Brindley	01/09/08 - 31/08/14	0-5	5-10
Professor Svenja Adolphs	22/09/14 - 31/08/18	0-5	-
Professor Roger Kain	01/09/08 - 31/08/14	0-5	5-10
Ms Sally Doganis	01/09/07 - 31/08/13	-	0-5
Professor Sarah Worthington	01/09/10 - 30/06/13	-	0-5
Mr Trevor Spires	01/09/10 - 31/08/18	5-10	5-10
Professor Bernard Silverman**	01/09/12 - 31/08/16	-	-

\* Since 1 December 2011 Professor Andrew Thompson has been supporting AHRC's Chief Executive whilst he undertakes his Chair of RCUK duties. The AHRC has recompensed Exeter University for Professor Thompson's time. In addition to his salary payment indicated above AHRC has also paid VAT, national insurance and pensions contributions to Exeter University.

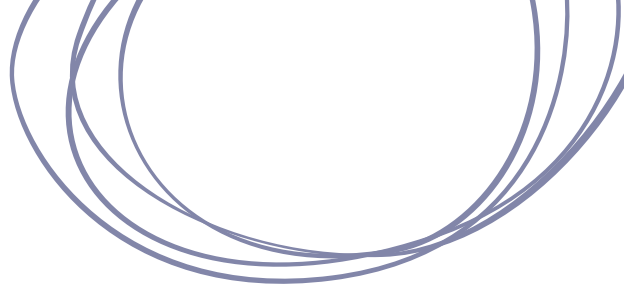
\*\* Professor Bernard Silverman, Chief Scientific Adviser to the Home Office, does not receive a salary.

Remuneration Report signed by



**Professor Rick Rylance**  
Accounting Officer  
9 June 2015

# Accounts



## Accounts Direction

These accounts have been prepared in accordance with the Accounts Direction, issued by the Secretary of State for Business, Innovation and Skills, in accordance with Section 6.3 of the Higher Education Act 2004. The accounts follow best commercial practice having due regard to the Council's status.

## Statement of Council's and Chief Executive's Responsibilities

Under the Higher Education Act 2004, the Secretary of State for Business, Innovation and Skills, with the consent of the HM Treasury, has directed the Arts and Humanities Research Council to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of the Arts and Humanities Research Council and of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

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

- observe the Accounts Direction issued by the Secretary of State for Business, Innovation and Skills, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgements and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements and
- prepare the financial statements on a going concern basis.

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

# Governance Statement

## 2014-15

This Governance Statement sets out my assessment of AHRC's potential vulnerabilities and capability to deal with the challenges facing us in our operating environment.

### Scope of Responsibility

As Accounting Officer, I have personal responsibility for maintaining a sound system of governance and internal control, which supports the achievement of AHRC's policies, aims and objectives. I also safeguard the public funds and AHRC assets for which I am responsible, ensuring they are properly accounted for and used economically, efficiently and effectively, in accordance with 'Managing Public Money' and the requirements set out in the Management Statement and Financial Memorandum agreed between AHRC and its sponsoring department, the Department for Business, Innovation and Skills (BIS). I am supported in my role as Accounting Officer by a governance framework, which includes the Council, its Committees and Senior Management.

In forming my assessment I have examined the following sources of information:

- all Council and committee meeting minutes
- the work of internal audit, including work undertaken to evaluate funding assurance in UK universities
- the assessments of my individual directors as covered in their stewardship reports.

### Governance Framework

AHRC is governed by its Council, which establishes and agrees the overall corporate strategy, key strategic objectives and deliverables of AHRC, as set out in its Strategic and Delivery Plans. The responsibility for implementing the decisions of Council is delegated to me as the Chief Executive and Accounting Officer. The Council also reviews regular financial reports on the management and performance of AHRC ensuring that appropriate action is taken to address any concerns identified, thus ensuring the good financial management of AHRC. The Council also monitors the overall AHRC risk profile as well as individual risks carrying a high degree of threat.

In carrying out this work the Council is advised by two standing committees, the Audit Committee and the Remuneration Committee, as well as an Advisory Board and other sub-groups. The Council sets the vision and strategic direction for AHRC. The responsibility for carrying

out key strategy is delegated to me as the Chief Executive. A diagram of AHRC's organisational structure, including the lines of reporting between the Council and other organisational functions, is shown on pages 24-25.

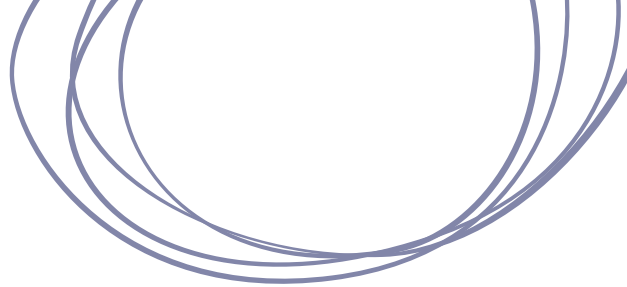
In 2014-15 the Council met four times and amongst the issues discussed were:

- an update on the Creative Economy strategy
- the opportunities and (partnership arrangements) in respect of China
- an update on the Open World Research Initiative
- review of skills development and postgraduate training
- review of the Heritage strategy
- consideration of the Interdisciplinary discussion paper
- consideration of the proposal on Equality and Diversity
- consideration of the impact of arts and humanities research
- consideration of the Triennial Review
- preparations for the Spending Review
- approval of AHRC budget for 2015-16
- consideration of AHRC's Delivery Plan
- quarterly review of Management Accounts, Risk and Assurance Reports from Audit Committee
- the performance of UK SBS.

Council members are recruited through advertisement in the national press, with oversight provided by the Office of the Commissioner for Public Appointments (OCPA), and final appointments are subject to Ministerial approval. Members of Council and AHRC's committees are listed on pages 26-27.

The Council carried out an effectiveness review in 2015 in the form of a questionnaire. The overall conclusions were that strong governance was in place with effective working between the Council and the AHRC Executive to implement the agreed strategic aims and objectives. The Council was receiving good assurance from the Audit Committee and was satisfied with the financial reporting being presented. The review highlighted that some improvements could be made around the diversity of membership, something which AHRC is already taking measures to improve through a more targeted appointments process.

The Audit Committee, which includes independent



members in addition to Council members, met four times during the year. Members are appointed by AHRC.

The Audit Committee provides assurance to Council and me, as Accounting Officer, by reviewing the adequacy and effectiveness of AHRC's framework of governance, risk management and controls, reviewing the annual accounts, and accounting policies, on behalf of Council and overseeing the outcomes of work by the internal and external auditors.

The Audit Committee supports discussion at Council through updates and briefings from the Chair of Audit Committee who is also a Council member.

The attendance of members at Council and the Audit Committee, for which they were eligible to attend, can be found in the following table with 2013-14 comparative percentage for the total shown in brackets.

The Senior Management Team (SMT) comprises myself as Chief Executive, Directors and Associate Directors and is the executive body for AHRC. It meets weekly and its responsibilities around governance are for managing AHRC operations and finances in line with AHRC's 2011-15 delivery plan, as well as monitoring associated risks.

The Remuneration Committee is chaired by the Chair of Council and comprises two further members of

<b>Name</b>	<b>Attendance at Council</b>	<b>Attendance at Audit Committee</b>
Professor Svenja Adolphs	3 out of 3	
Professor Sir Drummond Bone	3 out of 4	
Professor Mike Braddick		3 out of 4
Dame Lynne Brindley	0 out of 1	
Ms Deborah Bull	4 out of 4	
Ms Jacqui Burke	1 out of 1	1 out of 1
Professor John Butt	1 out of 1	
Ms Janet Dalley	4 out of 4	2 out of 3
Professor Ellen Douglas-Cowie	1 out of 1	
Mr Robert Dufton	2 out of 3	
Professor Sir David Eastwood	4 out of 4	
Ms Felicity Harvest	3 out of 4	
Professor Roger Kain	1 out of 1	0 out of 1
Professor Tom Inns	3 out of 3	
Mr Anthony Lilley	2 out of 4	
Dr Catherine Martin		2 out of 2
Professor Ewan McKendrick	1 out of 1	
Professor Fiona McPherson	2 out of 3	
Professor Rick Rylance	4 out of 4	
Professor Bernard Silverman	3 out of 4	
Mr Trevor Spires	3 out of 4	4 out of 4
Professor Andrew Thompson	4 out of 4	
Professor Greg Walker	4 out of 4	
Mr Robert Williams		4 out of 4
<b>Total 2014-15</b>	<b>83%</b>	<b>84%</b>
<b>Total 2013-14</b>	<b>(85%)</b>	<b>(90%)</b>



Council and myself as CEO. It is responsible for advising the Council on matters relating to the remuneration of Directors and Associate Directors and other pay-related matters for senior staff. BIS determine the salary for my role as Chief Executive Officer.

The Risk Management Committee (RMC) comprises AHRC staff representatives from across the organisation. It reports to SMT and meets quarterly to identify and review risks to the achievement of AHRC's plans and objectives.

The Advisory Board, comprising a number of senior academic researchers and non-academic members, advises Council on the development and implementation of AHRC strategy, monitors outcomes from AHRC's funding portfolio and acts as a quality assurance body to oversee the procedures regulating the Peer Review College.

In 2012-13 the Audit and Assurance Services Group (AASG) undertook a review of AHRC's compliance with the policies set out in the Cabinet Office 'Principles of Good Corporate Governance in Executive Non-Departmental Public Bodies', and received Substantial Assurance. AHRC continues to comply with the principles identified by the Cabinet Office with due recognition of the recommendations made within the report.

## Professional Support Unit (PSU)

The PSU, which is hosted by AHRC, came into being on 2 April 2013 and is responsible for providing the following professional services to AHRC, EPSRC and ESRC (the three Councils):

- Finance
- Human Resources
- Information Technology (hosts services on behalf of non-PSU Councils)
- Project Management
- Reprographics.

In addition to providing a professional service in the above areas, the purpose of the PSU is to deliver economies of scale, reduce costs and harmonise policies and processes on behalf of the three Councils.

Also, with the creation of the UK Shared Business Service Ltd (UK SBS) the small number of retained staff in Finance and HR left them vulnerable to single points of failure. The creation of the PSU has led to the establishment of a

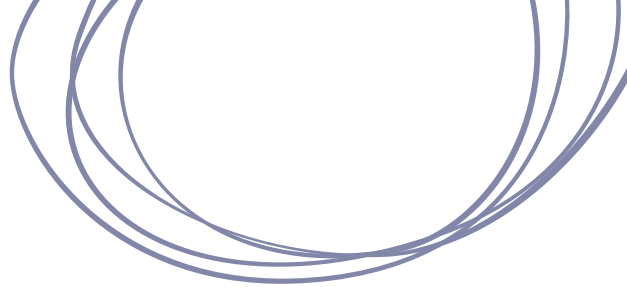
critical mass of professional support to the three Councils as well as helping to create meaningful professional career paths and opportunities.

The Head of PSU acts as the Director responsible for service provision to each of the three Councils. During 2014-15 reports were presented by the Head of PSU to the Audit Committee, which discussed governance issues and provided the opportunity for Audit Committee to raise issues and ask questions. The Head of PSU also attended SMT meetings where he was able to raise any issues of a governance nature and also address any governance issues raised by the AHRC CEO and Directors. Letters of delegated authority were issued to the PSU Senior Management Team in 2014-15.

The professional services provided by PSU in 2014-15 were managed by the PSU Senior Management Team (SMT) with the level and scope of support covered in the PSU Service Agreement.

In 2014-15 the PSU was overseen by a Management Board comprising the Chief Executive Officers of the three PSU Councils and they met three times in the year. A Risk Register for the PSU is in place, which is maintained by the PSU SMT and reviewed regularly by the PSU's SMT and the Management Board. The Head of PSU submits quarterly reports and updates to the Management Board to provide assurance on the level of service being delivered, the financial position and the risks being managed. The headline issues discussed by the Board during 2014-15 were:

- an initial and a follow-up internal audit report reviewing the PSU's Governance and management's responses
- PSU Management Board Terms of Reference with additions, as necessary, resulting from the internal audit reports
- PSU Business Plan for 2014-16 including budget and other financial matters
- PSU Service Delivery for all functions and clients, both historic and future, including the harmonisation of policies and processes and the delivery of greater efficiencies such as risk, information management and non-consolidated pay awards
- areas for possible expansions in terms of clients and services.



During 2014-15 AASG produced a PSU Governance follow-up report, which found the governance arrangements to be basically sound. The three recommendations made have been accepted by PSU and will be implemented during 2015-16. None of the recommendations made were given a high implementation priority.

The Head of PSU has produced an Annual Assurance Statement covering 2014-15, which provides assurance to the AHRC Chief Executive that the PSU has in place appropriate systems and controls to support the services delivered to AHRC.

During 2014-15 the PSU has provided a high level of professional support to the three Councils and work will continue in 2015-16 to ensure that the high standard of professional support continues and that the PSU fully engages with the three Councils to develop further the partnership arrangement and to explore and maximise the available benefits.

## Risk Management

AHRC's Risk Management Framework, in place for 2014-15, is based on the guiding principles of managing risk within the public sector and takes into account AHRC's structure, processes and culture. AHRC operates in a low risk environment in terms of its day to day operations with an internal control framework appropriate for a public sector organisation. AHRC has established a risk register, which is reviewed regularly against the level of risk that AHRC is prepared to accept, having regard to its aims and objectives. Risks considered to be at the highest level are escalated to Council for consideration.

Our role is to support independent, high quality research and postgraduate training, as well as the impact that arts and humanities research can have in the business, public and third sectors. At any one time we support a significant number of researchers and postgraduate students in academic institutions and Independent Research Organisations (IROs) such as major museums. While the research we fund can, by its pioneering and innovative nature, have significant risk we have a very low risk appetite in terms of the way we conduct our business. We work only with eligible research organisations in the UK and make our investment decisions using a transparent peer review process, details of which can be found at: [www.rcuk.ac.uk/funding/peerreview](http://www.rcuk.ac.uk/funding/peerreview).

AHRC's risk management process is designed to manage risk and not eliminate it. The quarterly review process allows risk owners to comment on mitigation actions and provide assurance that risks are being managed.

Strategic risks are identified through the RMC and SMT and regularly reviewed by Audit Committee and Council, who pay particular attention to those highlighted as significant high-level risks. It is through this process that AHRC is able to manage the key headline risks that impact on the delivery of the AHRC's programmes and operations and enables mitigating actions to be agreed and implemented.

Risk reports have been regularly reviewed by Council and Audit Committee, who have been satisfied with the management of AHRC risk during 2014-15. In addition, during 2014-15 both Council and Audit Committee received specific reports on a number of major AHRC projects, enabling strategic discussions about progress and future direction. Operationally, the most significant risks for AHRC are grouped around the challenges to AHRC's operations and the ability to achieve the organisation's aims and objectives. In particular the impact on AHRC of UK SBS and the various cross-government and Council projects. The pressures on AHRC's resources require careful management to ensure that key deliverables continue to be achieved. The ability of UK SBS to deliver an effective and efficient service is key to AHRC's ability to work effectively. Also, the allocation of flat cash to programme budgets creates additional delivery pressures.

With limited spare capacity and reducing administrative budget, AHRC will find it difficult to continue with its business of funding world-leading research in a timely fashion if these risks are not carefully managed. AHRC closely monitors developments in these areas with strong representation on the appropriate governance groups. Developments are regularly reported to Audit Committee and Council in detail.

In 2015-16 a new risk management process will be introduced. This will be a harmonised policy across the three PSU Research Councils (AHRC, EPSRC and ESRC), which represents best risk practice while being proportionate to the level of risk exposure and risk appetite within the three Research Councils. The changes for AHRC are however minimal.

Overall, I am satisfied that, with effective input from Audit

Committee and Council, risk is being managed successfully within AHRC.

## Other Key Governance Activities

### Pay Remit

Pay setting arrangements throughout the Civil Service are set out in guidance issued by HM Treasury. I can confirm that AHRC was compliant with the requirements.

### Data Security

In 2014-15 the AHRC category within the Government's Security Policy Framework (SPF) is 'Low Risk'. AHRC will still work towards compliance with the SPF and any breaches of data security will still be reported, but a full Security Health Check was not required for 2014-15. Between January and March 2015 all AHRC staff carried out Information Assurance training appropriate to their level of access via an e-learning package. There were two incidents of lapses in the security of personal data in 2014-15 that were reported to BIS but were deemed by the BIS Data Controller not to fall within the criteria for report to the Information Commissioner's Office.

### Transparency

AHRC is committed to the transparency agenda introduced by the Government to allow visibility of how public funds are used and managed. I can confirm compliance with all the disclosure requirements that are made on our website and that are referenced on the data.gov.uk website. The transparency disclosure made by the AHRC covers:

- AHRC organisation structure
- staff salaries and senior posts
- credit card transactions
- all expenditure.

### Ministerial Directions

There were no Ministerial Directions given in 2014-15.

### Tax Arrangements of Public Sector Appointees

The Alexander Review, published in May 2012, made a number of recommendations to ensure that the highest standards of integrity could be demonstrated in the tax arrangements of senior public appointees. I can confirm

that all of the AHRC's senior staff are paid through a formal payroll facility and that arrangements are in place through retained HR to provide assurance that appropriate tax arrangements are in place to cover any other appointees covered by the report.

In 2014-15 the AHRC identified five contractors who fell within the Alexander Review criteria. The AHRC has sought and gained assurance that the appropriate tax arrangements were in place for the contractors identified.

As detailed in the Remuneration Report on page 30, Council member Professor Andrew Thompson has been providing AHRC's Executive with part-time support while I undertake my duties as Chair of RCUK. Exeter University, as Professor Thompson's employer, has invoiced AHRC for his time in providing this support. The payment includes employer National Insurance and pension contributions as well as VAT. There have been no other appointments requiring AHRC to seek assurance regarding the income tax and National Insurance obligations of the appointee. Council members are 'office holders', as defined within HMRC guidance, and their remuneration is subject to Pay As You Earn (PAYE) with income tax and employee National Insurance Contributions (NICs) deducted at source through the payroll.

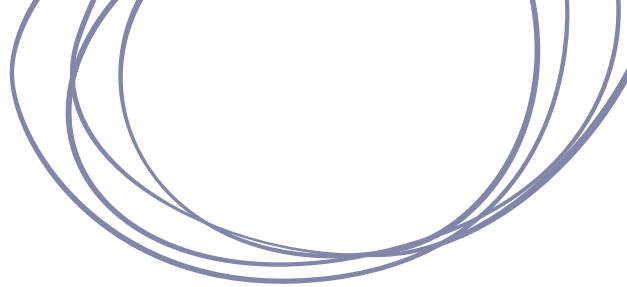
As such, AHRC is in compliance with the recommendations in the HM Treasury 'Review of the tax arrangements of public sector appointees' published in May 2012.

### MacPherson Review

The review of quality assurance of Government analytical models undertaken by Sir Nicholas MacPherson and published by HM Treasury in March 2013 made a number of recommendations for government departments and their Arm's Length Bodies. To comply with the review and the BIS requirements AHRC have reviewed their use of analytical modelling in 2014-15 and have not identified any that were considered to be business critical.

### Austerity Measures

AHRC has robust control processes, checks and reporting arrangements in place to review and manage expenditure in keeping with the austerity measures introduced by Government in May 2010.



## Efficiency

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

In the spring of 2011 RCUK published *Efficiency 2011-15: Ensuring Excellence with Impact* describing how the Research Councils would implement the recommendations in Sir William Wakeham's report *Financial Sustainability and Efficiency in Full Economic Costing of Research in UK Higher Education Institutions*. The efficiency savings are being applied to both research grants and fellowships awarded via competitive routes to research organisations and also to Research Council institutes. The combined savings across all Research Councils for the first three years of the programme (2011-12, 2012-13 and 2013-14) have exceeded the planned £251.2m target with details provided in the programme's annual report at

[http://www.rcuk.ac.uk/RCUK-prod/assets/documents/documents/RCUK\\_Efficiency\\_Savings\\_Report\\_2013-14.pdf](http://www.rcuk.ac.uk/RCUK-prod/assets/documents/documents/RCUK_Efficiency_Savings_Report_2013-14.pdf)

The programme continues to be on target to meet the overall four-year target of £427.8m across all Research Councils. Additionally, the Efficiency Programme will be extended by an extra year to include 2015-16.

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

## Regularity and Propriety

AHRC is committed to establishing and applying appropriate regularity and propriety standards, including applying appropriate cultures and behaviours and does not tolerate any form of fraud, bribery and/or corruption. It is important that we are able to withstand both internal and external scrutiny and key components in this regard are the Council's existing policies on:

- Counter Fraud
- Whistle-Blowing
- Conflicts of Interest
- Gifts and Hospitality.

AHRC requires all staff and groups within the governance structure to act honestly and with integrity and to safeguard the public resources for which they are responsible.

In 2014-15 a harmonised cross-Council Fraud & Bribery policy was developed and made available to all AHRC staff thus ensuring that there is an awareness of their responsibilities to report fraud and the process by which to do so. The Civil Service E-learning awareness training covering counter fraud and bribery is undertaken by all staff annually.

The PSU Head of Risk and Assurance also attends the BIS Counter Fraud Working Group where best practice is shared and current fraud issues discussed.

I can confirm that for 2014-15:

- neither I nor my staff authorised a course of action, the financial impact of which is that transactions infringe the regulatory requirements as set out in *Managing Public Money*
- there were no novel, contentious or repercussive transactions that required BIS or Treasury approval
- there were no instances of fraud identified within AHRC or within UK SBS that impacted on AHRC.

## Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of governance, risk management and other internal controls at AHRC to ensure a sound system of internal control is being maintained. In 2014-15 this review has been informed by the work of AHRC's Directors, the Audit Committee, the internal audit service provided by the AASG, from the work of the external auditors and cross-Council assurance programmes.

## AHRC Directors

AHRC Directors have responsibility for the development and maintenance of the internal control framework and provide me with quarterly reports on their stewardship and

management of internal control. The main issues raised by my Directors were as follows:

- the deterioration of UK SBS service delivery to existing customers
- UK SBS's proposed upgrade of the version of ORACLE currently operated
- the proposed transfer of grants management back to AHRC.

These issues are already reflected in the AHRC corporate risk register and will therefore be managed through the existing risk management process. I am content that the 2014-15 reports provide me with reasonable assurance that a sound internal control framework is in place.

### Audit Committee

I have examined the reports of AHRC Audit Committee meetings including their review of internal controls, governance and risk management processes. I attend Audit Committee meetings and other than the UK SBS issues, which are covered below, no issues have been raised with me by the Committee.

### Internal Audit

Internal Audit is provided by AASG. The Director of AASG is required to provide me with an opinion on the overall adequacy and effectiveness of AHRC's framework of governance, risk management and internal control. This opinion is informed by the internal audit work completed during the year, in line with the internal audit plan agreed by management and the Audit Committee. The work of AASG provides assurance in two areas: core AHRC activities and cross-Council activities with an AHRC involvement.

In 2014-15 AASG was able to provide AHRC with an overall Moderate Level of assurance on the adequacy and effectiveness of the AHRC's controls and governance processes. The assurance categories used by AASG changed for 2014-15 and a moderate rating can be broadly aligned to the previous substantial rating. The definition is:

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

The level of realised assurance in 2014-15 was 84.2%

compared to 80.6% the previous year. Realised assurance is the number of audits that receive either a substantial or moderate level of assurance.

During the year a number of audits and assurance work was undertaken within the two blocks of activity. The implementation of recommendations that relate specifically to AHRC are monitored by PSU with progress reports presented to each Audit Committee meeting.

### Block 1 – Core AHRC Audits

The Core audits undertaken in 2014-15 were:

- International Placement Schemes
- Management Information
- Corporate Governance & Delegation
- Follow-up of Audit Recommendations.

All recommendations in relation to the above audits have been accepted with implementation plans in place.

### Block 2 – Cross-Council Audits

In 2014-15, AASG carried out 18 cross-Council audits that were relevant to AHRC. While two of the audits received Limited Assurance it is the view of AASG that none of these represented significant control weaknesses requiring disclosure within the Governance Statement. Where recommendations relate specifically to AHRC their implementation is closely monitored by PSU. The recommendations of a cross-Council nature are monitored through the cross-Council Risk & Assurance Network or through the appropriate functional governance group within the Councils.

### Cross Research Council Funding Assurance Programme

Funding assurance activities, which are part of AASG's remit, focus on the regularity of expenditure for research grants. These activities focus on substantive testing of the control environment within research organisations and its effectiveness in ensuring compliance with the Research Councils' terms and conditions of grant funding. In 2014-15, 27 assurance assignments were undertaken, comprising of seven visits, three enhanced desk-based reviews and 17 desk-based reviews. This programme is an important element in the risk management framework for AHRC. AASG have reported a satisfactory level of assurance for the year.



## UK SBS Assurance

The UK SBS provides processing services in human resources, procurement, payroll, finance, grants and IT to all seven Research Councils. Last year my Annual Governance Statement noted that ownership and control of UK SBS passed from the Research Councils to BIS.

In 2014-15 there have been significant changes in the UK SBS assurance provision. The Government Internal Audit Agency (GIAA) now has the responsibility for the UK SBS audit programme. The GIAA reports provide input to UK SBS CEO's Quarterly Assurance Letter, which provides the cornerstone of the assurance I receive regarding UK SBS.

Through the quarterly UK SBS Chief Executive Assurance Letters and the outcomes of the GIAA audits I note a limited assurance opinion for the effectiveness of internal controls within the Company as a whole. In addition I note moderate assurance opinion for the effectiveness of internal controls relating to customer processes.

As a result of the assurance provided by the UK SBS Chief Executive I note that UK SBS has continued to deliver in a number of areas and improvements have been noted in some areas. I do, however, highlight the following as key areas of risk:

- UK SBS continues to operate in a challenging environment with often changing and sometimes conflicting priorities. During the year this has included and continues to include:
  - o uncertainty relating to future staff reductions
  - o the planned transfer of some transactional services to Shared Services Connected Limited (SSCL), although a decision has now been made to discontinue on this path
  - o the upgrade of the ORACLE 12.0.6 Platform for old customers, including UK SBS themselves
  - o uncertainty around the resilience of the 12.0.6 platform for existing customers and its ability to provide the necessary levels of support, even allowing for the ongoing support arrangements that have been negotiated with ORACLE
  - o the transfer of the Peer Review Process back to the Research Councils and
  - o uncertainty about the future of UK SBS pending the outcome of the BIS 2020 Review.

- while some progress has been made in improving the control framework in UK SBS over the last 12 months the controls have yet to become sufficiently embedded in the organisation. The scope and scale of improvements required across parts of the framework for the Company are significant, particularly in relation to:

- o IT Governance and Management
- o Procurement
- o Payroll and
- o Disaster recovery planning and capability.

I particularly highlight procurement, which received an Unsatisfactory Assurance level from GIAA.

In addition to the assurances provided by UK SBS I am informed by a wider review with cross-Council customer governance groups and other cross-Council groups. These reviews highlight:

- a number of improvements in performance and control but also highlight a challenging and changing business environment and the loss of experienced staff. This is coupled with a decline in the pace at which change and improvements are being delivered
- the need to revisit the continued relevance of the Master Service Agreement (MSA) and Critical Performance Indicators (CPIs) across all services. Action is in hand to review CPIs relating to HR/Payroll, Procurement and ISS system bandwidth
- shortfalls on a significant number of existing CPIs across all services, with a caveat, that performance within Finance Service Delivery and Grants Service Delivery have, overall, been fairly steady with some exceptions
- across service areas Councils continue to work with UK SBS and seek improvements in relation to:
  - o Procurement
  - o iRecruitment
  - o Debt Management
  - o The Fixed Asset module
  - o Service Requests
  - o Business Continuity and Disaster Recovery.

I accept the general picture provided by the UK SBS Chief Executive in that the organisation has undergone significant change and reorganisation in 2014-15. I note that UK SBS has clearly recognised that problems and issues exist and has been transparent and open in reporting these in the most recent assurance letter. Even so, the current assurance picture clearly highlights the need for continued improvement. This may be indicative of resource issues, the impact of which we have yet to feel fully as personnel continue to leave.

There is no room for complacency and I will expect a significant improvement in the assurance levels, the active management of the key areas of risk and the level of service through 2015-16. AHRC, in concert with the other Research Councils, will support UK SBS going forward and continue to monitor ongoing performance both by UK SBS and within Research Council operations.

I note that plans for the future of UK SBS are currently under discussion.

### **External Audit**

The AHRC Annual Accounts are audited by the National Audit Office who produce an Audit Completion Report.

### **Conclusion**

The conclusion of my review is that AHRC's overall governance, risk management and internal control structures are sound and ensure that public money is properly accounted for and used economically, efficiently and effectively. I can provide assurance that the governance and control structures in place support the achievement of AHRC's policies, aims and objectives and that effective plans for continuous improvement are in place.

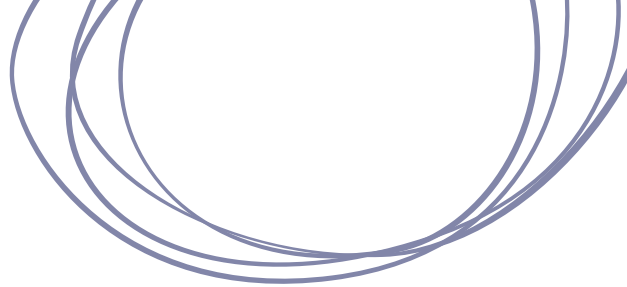
Governance Statement signed by



**Professor Rick Rylance**

Accounting Officer

9 June 2015



## The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Arts and Humanities Research Council for the year ended 31 March 2015 under the Higher Education Act 2004. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them.

### Respective responsibilities of the Council, Accounting Officer and auditor

As explained more fully in the Statement of the Council and Chief Executive's Responsibilities, the Council and the Chief Executive, as Accounting Officer, are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Higher Education Act 2004. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

### Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Arts and Humanities Research Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Arts and Humanities Research Council; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### Opinion on financial statements

#### **In my opinion:**

- the financial statements give a true and fair view of the state of the Arts and Humanities Research Council's affairs as at 31 March 2015 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Higher Education Act 2004 and Secretary of State directions issued thereunder.

### Opinion on other matters

#### **In my opinion:**

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Higher Education Act 2004; and



- the information given in the Management Commentary and AHRC Structure for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which I report by exception

I have nothing to report in respect of the following matters, which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

### Report

I have no observations to make on these financial statements.

#### **Sir Amyas C E Morse**

Comptroller and Auditor General

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

15 June 2015

# STATEMENT OF COMPREHENSIVE NET EXPENDITURE

for the year ended 31 March 2015

	Note	2014-15 £000	2013-14 £000
<b>Administration</b>			
Staff Costs	3	4,441	2,726
Other Expenditure	5	1,837	1,802
Notional Service Charges	5	1,071	1,070
Operating Income	6	(2,175)	(252)
		<b>5,174</b>	<b>5,346</b>
<b>Programme</b>			
Staff Costs	3	1,390	1,324
Research	4a	64,707	59,923
Postgraduate Awards	4b	39,177	42,177
Other Expenditure	4c	600	598
Operating Income	6	(1,858)	(1,732)
		<b>104,016</b>	<b>102,290</b>
<b>Net Expenditure</b>		<b>109,190</b>	<b>107,636</b>
<b>Total Comprehensive Net Expenditure</b>		<b>109,190</b>	<b>107,636</b>

The notes on pages 51-71 form part of these accounts.

# STATEMENT OF FINANCIAL POSITION

## as at 31 March 2015

	Note	As at March 2015 £000	As at March 2014 £000
<b>Non-Current Assets</b>			
Property, Plant and Equipment	7	122	292
Intangible Assets	8	-	38
<b>Total Non-Current Assets</b>		<b>122</b>	<b>330</b>
<b>Current Assets</b>			
Trade and Other Receivables	10	10,124	12,175
Cash and Cash Equivalents	11	3,973	7,460
<b>Total Current Assets</b>		<b>14,097</b>	<b>19,635</b>
<b>Total Assets</b>		<b>14,219</b>	<b>19,965</b>
<b>Current Liabilities</b>			
Trade and Other Payables	12	(4,563)	(6,739)
Provisions	14	(15)	(15)
<b>Total Current Liabilities</b>		<b>(4,578)</b>	<b>(6,754)</b>
<b>Non-Current Assets plus Net Current Assets</b>		<b>9,641</b>	<b>13,211</b>
<b>Non-Current Liabilities</b>			
Provisions	14	(133)	(135)
<b>Total Non-Current Assets</b>		<b>(133)</b>	<b>(135)</b>
<b>Assets less Liabilities</b>		<b>9,508</b>	<b>13,076</b>
<b>Taxpayer's Equity</b>			
General Fund		9,508	13,076
<b>Total Taxpayer's Equity</b>		<b>9,508</b>	<b>13,076</b>

The notes on pages 51-71 form part of these accounts.

The financial statements on pages 47-50 were approved by Council and signed on its behalf by:



Professor Rick Rylance  
Accounting Officer  
9 June 2015

# STATEMENT OF CASH FLOWS

## for the year ended 31 March 2015

	Note	2014-15 £000	2013-14 £000
<b>Cash Flows from Operating Activities</b>			
Net Expenditure		(109,190)	(107,636)
<b>Adjustments for Non-Cash Transactions:</b>		-	-
Depreciation	5	170	160
Amortisation	5	38	67
Loss on Disposal		-	2
Decrease in Trade and other Receivables	10	2,051	43
Increase/(Decrease) in Trade and other Payables	12	(2,176)	1,997
(Decrease) in Provisions	14	(2)	(9)
<b>Net Cash Outflow from Operating Activities</b>		<b>(109,109)</b>	<b>(105,376)</b>
<b>Cash Flows from Investing Activities</b>			
Purchase of Property Plant & Equipment	7	-	(115)
<b>Net Cash Flows from Investing Activities</b>		-	<b>(115)</b>
<b>Cash Flows from Financing Activities</b>			
Grant-in-Aid received from BIS – Revenue		99,551	101,945
Grant-in-Aid received from BIS – Capital		5,000	4,600
Notional Service Charges	5	1,071	1,070
<b>Net Cash Flows from Financing Activities</b>		<b>105,622</b>	<b>107,615</b>
<b>Net (Decrease) /Increase in Cash and Cash Equivalents in the period</b>	<b>11</b>	<b>(3,487)</b>	<b>2,124</b>
<b>Cash and Cash Equivalents at the beginning of the period</b>	<b>11</b>	<b>7,460</b>	<b>5,336</b>
<b>Cash and Cash Equivalents at the end of the period</b>	<b>11</b>	<b>3,973</b>	<b>7,460</b>

The notes on pages 51-71 form part of these accounts.

# STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

## for the year ended 31 March 2015

	Note	General Fund £000	Total Reserves £000
<b>Balance at 1 April 2013</b>		<b>13,097</b>	<b>13,097</b>
<b>Changes in Taxpayers' Equity 2013-14</b>			
Grant-in-Aid received from BIS – Revenue		101,945	101,945
Grant-in-Aid received from BIS – Capital		4,600	4,600
Notional Service Charges		1,070	1,070
Net Expenditure		(107,636)	(107,636)
<b>Balance at 31 March 2014</b>		<b>13,076</b>	<b>13,076</b>
<b>Balance at 1 April 2014</b>		<b>13,076</b>	<b>13,076</b>
<b>Changes in Taxpayers' Equity 2014-15</b>			
Grant-in-Aid received from BIS – Revenue		99,551	99,551
Grant-in-Aid received from BIS – Capital		5,000	5,000
Notional Service Charges		1,071	1,071
Net Expenditure		(109,190)	(109,190)
<b>Balance at 31 March 2015</b>		<b>9,508</b>	<b>9,508</b>

At the end of each reporting period any surpluses or deficits deriving from the AHRC's normal course of business are debited or credited to the Income & Expenditure Reserve.

The notes on pages 51-71 form part of these accounts.

# NOTES TO THE ACCOUNTS

## 1. Statement of Accounting Policies

### a. Basis of Accounting and Accounting Convention

The Accounts have been prepared in accordance with a direction given by the Secretary of State with the approval of HM Treasury in pursuance of Section 2 (2) of the Science and Technology Act 1965.

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) and meet the accounting and disclosure requirements of the Companies Act 2006 and the accounting and financial reporting standards issued or adopted by the International Accounting Standards Board as interpreted for Government use by the Financial Reporting Manual (FReM) and in so far as these requirements are appropriate. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the AHRC for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Council are described below. They have been applied consistently in dealing with items that are considered material to the accounts. There was no material departure from IFRS or FReM in preparation of these statements.

As required by section 393 (1) of the Companies Act 2006 the Accounting Officer has provided assurance that these statements give a true and fair view of the assets, liabilities, financial position and the comprehensive net expenditure of AHRC.

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of property, plant and equipment and intangible assets, where material.

The financial statements are presented in £ sterling and all values are rounded to the nearest thousand, except where indicated otherwise.

### Going Concern

These Financial Statements have been prepared on the basis of a Going Concern. Any deficit shown on the Income and Expenditure Reserve will be extinguished over time, having regard to the resource and capital budgets to which AHRC can be expected to have access.

2014-15 is the final year of the current Comprehensive Spending Review period. When the financial allocations were issued for 2014-15, the Programme allocations for 2015-16 were also published alongside. An indicative Administration allocation for 2015-16 was received in October 2014. Future years' allocations have not yet been confirmed. However, AHRC has no reason to believe that future funding from BIS will not be forthcoming.

The Triennial Review of the Research Councils was published by BIS in April 2014. The review has confirmed that the current number and structure of the seven Research Councils is right and Government is likely to continue with this structure. Therefore the accounts are produced on a going-concern basis.

### Adoption of Standards and Changes in Policy

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

IFRS 8 Operating Segments (effective for periods on or after 1 July 2014) – the amendment requires entities to disclose the judgements made by management in applying the aggregation criteria to operating segments.

IFRS 13 Fair Value Measurement (effective for periods on or after 1 January 2013) – IFRS 13 has been issued to provide a single source of guidance for fair value measurement. The standard does not include requirements on when fair value measurement is required; it prescribes how fair value is to be measured if another standard requires it.

# NOTES TO THE ACCOUNTS

IAS 16 Property, Plant and Equipment (effective for periods on or after 1 July 2014) – restatement of accumulated depreciation for revalued assets. States that when an item of property, plant and equipment is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

IAS 38 Intangible Assets (effective for periods on or after 1 July 2014) – restatement of accumulated amortisation for revalued assets. States that when an intangible asset is revalued the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount.

## **Effective for Future Financial Years**

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

IFRS 9 Financial Instruments (effective for periods beginning on or after 1 January 2015) – IFRS 9 is a replacement for IAS 39 and introduced new requirements for the classification and measurement of financial assets. AHRC will undertake an assessment of the impact of IFRS 9 once the full requirements are known.

AHRC is not expecting any significant impact to future financial statements from the accounting standards that are newly issued and are not yet effective.

## **b. Financing and Income**

The FReM requires Non-Departmental Public Bodies to account for Grant-in-Aid as financing. In the AHRC's case this includes Grant-in-Aid from the Department for Business, Innovation and Skills.

Monies from other Research Councils for co-financing of various Grant programmes are recognised as income when goods or services are delivered and title has passed, and charged to the Statement of Comprehensive Net Expenditure in the accounting period in which the goods or services are rendered.

The Council receives funding for collaborative projects to support AHRC's research. The majority of this funding is received from the UK Public Sector. Some of the funding may involve payment for the collaboration a number of years in advance of the accounting period to which it relates. Where there is a variance between work done in the accounting period and received funding, income will be deferred where the contract or agreement allows.

## **c. Administration and Programme Expenditure**

The Statement of Comprehensive Net Expenditure is analysed between administration and programme income and expenditure. The classification of expenditure and income as administration or programme follows the definition set by the Consolidated Budgeting Guidance.

Administration budgets cover the costs of all Central Government administration other than the costs of direct frontline service provision. Activities that are directly associated with frontline service delivery are considered to be programme. In practice Administration budgets include activities such as provision of policy advice, business support services, back-office administration, advice on and administration of grant programmes, technical or scientific support, and the work of the Government's Regional Offices.

## **d. Property, Plant and Equipment (PPE)**

Capital expenditure in PPE includes the purchase of IT equipment, office equipment, fixtures and fittings and equipment valued at £1,000 or more.

PPE are included at cost or valuation. The basis of valuation is Open Market Value for existing use where this can be established, otherwise Current Depreciated Replacement Cost. A full month's depreciation is charged in the month of acquisition and none in the month of disposal.

Depreciation is not charged on assets under construction until the assets are brought fully into use and transferred to the appropriate asset category. They are then depreciated at the same rate as the other assets in that category.

PPE are depreciated at rates calculated to write off the costs or the valuation of each asset evenly over its expected useful life, as follows:

IT Equipment	3 years
Fixtures and Fittings	5 years

Land and buildings, and major items of equipment are professionally revalued every five years at which time the remaining useful life of each revalued asset is also reassessed. The last valuation was in March 2011, conducted by Powis, Hughes and Associates, Chartered Surveyors and the basis of the valuation was Open Market Value. Appropriate indices are used between formal valuations.

#### **e. Intangible Assets**

Capital expenditure in intangible assets includes the purchase of software, software licences, data sets and website development valued at £1,000 or more.

Amortisation of intangible assets is provided at rates calculated to write off the cost of each asset in equal instalments over its expected useful life as follows:

Internally Developed Software	3-5 years
Licences	Over length of licence
Internally Developed Websites	2 years

A full month's amortisation is charged in the month of acquisition and none in the month of disposal. Amortisation is not charged on assets under construction until the assets are brought fully into use and transferred to the appropriate asset category. They are then depreciated at the same rate as the other assets in that category.

#### **f. Impairment of Non-Current Assets**

The AHRC has a relatively small asset base and at any point in time, during the course of normal business, there is unlikely to be a material difference between the historic and current cost values of the Council's non-current assets. This position is however kept under review. The carrying amounts of the AHRC's assets are reviewed at each Statement of Financial Position date to determine whether there is any indication of impairment; an asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised in the Statement of Comprehensive Net Expenditure when the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount.

#### **g. Operating Segments**

The primary format used for segmental reporting is by programme expenditure as this reflects AHRC's internal management structure and reporting to senior management. AHRC's assets and liabilities are shared across the operating segments, and as segmental information on assets and liabilities is not used internally, disclosure is not needed.



# NOTES TO THE ACCOUNTS

## **h. Ownership of Equipment or Facilities Purchased with Council Grants**

Equipment purchased by an organisation with research grant funds supplied by the AHRC belongs to the organisation and is not included in the AHRC's property, plant and equipment. Through the Conditions of Grant applied to funded organisations, the AHRC must be informed if, during the life of the research grant, the need for the equipment diminishes substantially or it is not used for the purpose for which it was funded. The AHRC reserves the right to determine the disposal of such equipment and to claim the proceeds of any sale.

## **i. Grants**

Subject to the terms and conditions under which Research Grants are awarded, the AHRC makes payments for grants on the basis of pre-determined quarterly profiles. Profiles are arranged, in overall terms, to reflect the rate and incidence of expenditure at the grant-holding organisation. Payments are normally made in the period to which they relate, although AHRC retains some latitude in timing. Grant expenditure is accounted for on an accruals basis to reflect the usage of grant funds on work carried out. Future commitments at the Statement of Financial Position date are disclosed in Note 17.

The AHRCs policy is to accrue for the costs of work undertaken at Higher Education Institutions which remain unpaid by the AHRC at the end of the reporting period. Prepayments are also recognised when they occur.

The AHRC provides funding in two main areas, these being Research Awards and Postgraduate Training Awards.

## **j. Financial Instruments**

Due to the non-trading nature of its activities and the way in which the AHRC is financed, the AHRC is not exposed to the degree of financial risk faced by non-public sector entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IAS 32, 39 and IFRS 7 mainly apply. The AHRC has very limited powers to borrow or invest surplus funds. Financial assets and liabilities are generated by day to day operational activities and are not held to change the risks facing the AHRC in undertaking its activities.

Trade receivables are not interest bearing and are carried at original invoice amount. Provision for impairment is established when there is objective evidence that the AHRC will not be able to collect all amounts due according to the original terms of the receivable. The amount of provision is the difference between the carrying amount and recoverable amount and is recognised in the Statement of Comprehensive Net Expenditure.

Trade and other payables are recognised in the period in which related money, goods or services are received or when a legally enforceable claim against the AHRC is established or when the corresponding assets or expenses are recognised.

## **k. Key Accounting Judgements**

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

On an ongoing basis, management evaluates its estimates and judgements. These estimates and judgements are based on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgements about the carrying value of assets and liabilities that are not readily available from other sources. Actual results may differ from these estimates under different assumptions and conditions.

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefit will be required to settle the obligation, and where the amount of the obligation can be reliably estimated (see Note 14).

## **l. Contingent Liabilities**

Where the time value of money is material, contingent liabilities are stated at discounted amounts and the amount separately noted. Contingent liabilities that are not required to be disclosed by IAS 37 are stated at the amounts reported.

## **m. Operating Leases**

AHRC currently holds no finance leases or operating leases.

## **n. Foreign Currencies**

Transactions denominated in foreign currencies are translated into sterling at the rate of exchange ruling at the date of transactions. Any exchange differences arising in the ordinary course of business are taken to the Statement of Comprehensive Net Expenditure. Assets and liabilities in foreign currencies in existence at the Statement of Financial Position date are translated at the rates ruling at that date.

## **o. Taxation**

The AHRC is recognised by HM Revenue and Customs as a charity for tax purposes. Accordingly, the AHRC is exempt from taxation in respect of income or capital gains arising in the course of its charitable activities. The AHRC receives no similar exemption in respect of Value Added Tax (VAT). As a result the major part of VAT paid by the AHRC is irrecoverable, since the provision of education is an 'exempt' activity for VAT purposes.

Expenditure and Non-Current Asset purchases are shown inclusive of irrecoverable VAT.

The AHRC is a member of a VAT Group along with the other Research Councils. By registering as a group there is a single VAT registration covering all of the members. All supplies made by or to group members are deemed to be made by or to the representative member. Supplies made between group members are disregarded for VAT. There is, therefore, no VAT payable on supplies made between group members, representing a saving in administration costs.

From 1 February 2013, UK SBS Ltd is acting as a Cost Sharing Group. This allows UK SBS Ltd to provide services to the VAT group members exempt of VAT. Members of this group comprise the seven Research Councils, BIS, Higher Education Funding Council for England and Innovate UK Ltd.

## **p. Pension Costs**

Retirement benefits to employees of the Council are provided by the Research Councils' Pension Scheme (RCPS) and the Universities Superannuation Scheme. The expected costs of providing pensions are charged to the Statement of Comprehensive Net Expenditure so as to spread the cost over the service lives of employees in the schemes operated, in such a way that the pension cost is a substantially level percentage of current and expected future pensionable payroll. More details on pensions can be found in Note 3(b).

## **q. Employee Benefits**

Employees are entitled to 30 days' annual leave per year. The annual leave year for the AHRC runs from 1 January to 31 December. The cost of untaken employee leave at 31 March 2015 has been accrued.

## **r. Early Departure Costs**

The costs of early retirement or severance are charged to the Statement of Comprehensive Net Expenditure when the early departures are agreed. These costs are net of the lump sums recoverable from the pension schemes when the individual reaches normal retirement age.

# NOTES TO THE ACCOUNTS

## **s. Notional UK SBS Charge**

Ownership of SBS transferred from the Research Councils to BIS on 6 March 2013. The UK SBS monthly service charge to AHRC is now deducted from AHRC's funding from BIS. In order to accurately reflect the cost of using SBS's services in the annual accounts the charge has been shown as a notional cost on the Statement of Comprehensive Expenditure and it has then been written back to the Income and Expenditure Reserve.

## **t. Joint Service Units**

AHRC currently hosts one Joint Service Unit, the Professional Support Unit on behalf of the Economic and Social Research Council, the Engineering and Physical Sciences Research Council and AHRC itself. In AHRC's accounts staff and other costs are reported at a gross level with the recharge recorded as income. AHRC also receives services from other Joint Units hosted by EPSRC, MRC and BBSRC. The costs relating to these services form part of AHRC's operating costs.

## **u. Insurance**

In line with Government policy, AHRC carries its own risks in respect of employment of staff, buildings, equipment etc, except where there exists a statutory requirement to insure or where commercial insurance represents better value for money. Insurance premiums are charged to the Statement of Comprehensive Net Expenditure.

## **v. Cash and Cash Equivalents**

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

In February 2013, it was agreed that AHRC would take over the coordination responsibility for the Humanities in the European Research Area (HERA) network, which has resulted in AHRC holding cash funds on behalf of a third party. The funds will not be managed in a separate bank account as HM Treasury approval is required to open new bank accounts. AHRC has separated the funds into a distinct GL account and will not cross-subsidise between AHRC funds and HERA funds in either direction. More information can be found in Note 15.

**2a. Segmental Analysis**  
**Current Financial Year**

	Research £000	Postgraduate £000	Other Programme £000	Administration £000	Total £000
Staff Costs	-	-	1,390	4,441	5,831
Programme	64,707	39,177	-	-	103,884
Depreciation, Amortisation and Impairment	-	-	-	208	208
Other Costs	-	-	600	1,629	2,229
Notional Costs	-	-	-	1,071	1,071
Income	-	-	(1,858)	(2,175)	(4,033)
<b>Net Expenditure</b>	<b>64,707</b>	<b>39,177</b>	<b>132</b>	<b>5,174</b>	<b>109,190</b>

**2b. Segmental Analysis**  
**Prior Financial Year**

	Research £000	Postgraduate £000	Other Programme £000	Administration £000	Total £000
Staff Costs	-	-	1,324	2,726	4,050
Programme	59,923	42,177	-	-	102,100
Depreciation, Amortisation and Impairment	-	-	-	227	227
Other Costs	-	-	598	1,575	2,173
Notional Costs	-	-	-	1,070	1,070
Income	-	-	(1,732)	(252)	(1,984)
<b>Net Expenditure</b>	<b>59,923</b>	<b>42,177</b>	<b>190</b>	<b>5,346</b>	<b>107,636</b>

The AHRC's primary operating segments are Research Awards and Postgraduate Awards. Information concerning these segments is disclosed in Note 1 and expenditure is detailed in the Statement of Comprehensive Net Expenditure and broken down further in Notes 4, 5 and 6.

**3. Staff Costs**

**Joint Services Unit**

AHRC hosts the Professional Support Unit (PSU) on behalf of AHRC, EPSRC and ESRC, providing the following services to the three Councils: Human Resources, Finance, Programme Office, Information Services, and Joint Reprographics Service.

The costs of the PSU are recharged to those Councils who receive a service.

In AHRC, staff and other administrative costs are reported at a gross level (ie including PSU costs) throughout the Annual Report. All new staff appointments across these functions are recruited to AHRC.

The total AHRC headcount includes 31 FTE of PSU staff (2013-14, 24 FTE).

# NOTES TO THE ACCOUNTS

<b>3a. Staff Costs</b>	<b>Permanently Employed Staff £000</b>	<b>Others £000</b>	<b>2014-15 Total £000</b>	<b>2013-14 Total £000</b>
Wages and Salaries	3,301	1,499	4,800	3,202
Social Security Costs	246	-	246	207
Other Pension Costs	785	-	785	641
<b>Total Net Costs</b>	<b>4,332</b>	<b>1,499</b>	<b>5,831</b>	<b>4,050</b>

The increase in salary costs is directly attributable to the PSU.

### 3b. Pension Schemes

Staff members of AHRC belong to one of four multi-employer defined benefit pension schemes. The assets of all schemes are held separately from those of AHRC in independently administered funds. It is not possible to identify the AHRC's share of the underlying assets and liabilities of any of the pension schemes and therefore contributions to the scheme are accounted for as if they were defined contribution schemes. The pension cost charge represents contributions payable by AHRC to the funds.

#### The Research Councils' Pension Scheme (RCPS)

The employees of AHRC are offered membership to the RCPS, which is an unfunded defined benefit scheme paid for by employee contributions and employer contributions with additional annual grant-in-aid on a pay-as-you-go basis. The RCPS is 'by-analogy' to the Principal Civil Service Pension Scheme (PCSPS). The RCPS scheme provides retirement and related benefits based on final or average emoluments. Redundancy and injury benefits are administered and funded by the Council. The scheme is administered by the Research Councils' Joint Superannuation Service with the associated grant-in-aid managed by BBSRC.

Employees may be in one of four defined benefit scheme arrangements: either a final salary scheme (Classic, Classic Plus or Premium); or a career average scheme (Nuvos). Pensions payable are increased annually in line with changes in the Consumer Prices Index (CPI). The employer contribution rate is agreed by the RCPS Board of Management on the recommendation of the Government Actuary's Department (GAD) and is currently set at 26.0% of pensionable pay. During 2014-15 the employee contribution rates ranged between 1.5% and 8.85% depending on scheme and pensionable earnings. The employee contribution rates changed on 1 April 2015 in line with changes to the PCSPS employee contribution rates.

As an alternative to the RCPS a Partnership Pension Account was made available to new recruits from 1 October 2002. It is based on the portable Stakeholder Pension introduced by the Government in 2001. This is a defined contribution scheme. The employers pay the RCPS 0.08% of pensionable pay to cover death in service and ill health benefits. The employers pay an age related contribution to the employee's private pension provider. The employer contribution for 2014-15 was £558.74.

On 1 April 2015 PCSPS launched a new pension scheme called Alpha. This scheme is similar to the Nuvos career average scheme but with the retirement age aligned to the state pension age. RCPS cannot at present create a by analogy Alpha scheme as the legislation does not currently permit this. Reform options are currently being discussed with HM Treasury and BIS have given permission for RCPS to continue 'as is' beyond 1 April 2015.

The accrued pension is the pension the member is entitled to receive when they reach pension age or immediately on ceasing to be an active member of the scheme if they are already at or over pensionable age. Pensionable age is 60 for members of the Classic, Classic Plus and Premium scheme arrangements and 65 for members of Nuvos.

For further details about the RCPS pension arrangements can be found at the website <http://jsspensions.nerc.ac.uk/>

The RCPS is an unfunded multi-employer defined benefit State scheme, which is paid for on a pay-as-you-go basis. Contributions are set at a level that is expected to be sufficient to pay the required benefits falling due in the same period with future benefits earned during the current period to be paid out of future contributions. In RCPS, AHRC has no legal or constructive obligation to pay those future benefits. Its only obligation is to pay the contributions as they fall due and if the entity ceases to employ members of RCPS, it will have no obligation to pay the benefits earned by its own employees in previous years. For this reason, RCPS is treated as a defined contribution plan as stated in IAS 19.

In order that the defined benefit obligations recognised in the financial statements do not differ materially from those that would be determined at the reporting date by a formal actuarial valuation, the FReM requires that the period between formal actuarial valuations shall be four years, with approximate assessments in intervening years.

Formal actuarial valuations are used to determine employer and employee contribution rates. The last actuarial evaluation undertaken for the RCPS, as at 31 March 2006, was completed in 2008-09. An actuarial valuation as at 31 March 2010 was initiated but not completed due to HM Treasury suspending all public sector pension scheme valuations whilst reform policies were being developed. HM Treasury have since concluded their reform policy, which enabled the Government Actuary Department to start the process of completing a revised scheme valuation. This valuation is as at 31 March 2012 in accordance with HM Treasury revised scheme valuation directions. The conclusion of the scheme valuation is directly linked to the reform outcomes of the RCPS. It is likely that the reform process will be complete by June 2015 and any resulting changes to contribution rates likely to be effective from April 2016.

For 2014-15, employer's contributions of £751k were payable to RCPS (2013-14 £608k) at 26% of pensionable pay for all the salary bands. Employer contributions are to be reviewed every four years following a full scheme valuation by the Government Actuary. The contribution rates reflect benefits as they are accrued, not when the costs are actually incurred, and reflect past experience of the scheme.

### **The Universities Superannuation Scheme (USS)**

From 1 October 2011 the USS pension scheme has two sections:

Final Salary Section – a final salary pension scheme, which is now closed to new entrants. Employee contributions with effect from 1 October 2011 are 7.5% (7.5% in 2013-14) and employer contributions 16% (2013-14 16%).

Career Revalued Benefits Section – a career average pension scheme available for new recruits who have not previously been members of USS from 1 October 2011. Employee contributions are 6.5%, employer contributions are 16% (2013-14 6.5% and 16%).

The USS Summary Funding Statement is issued to all scheme members and beneficiaries with information on the financial position of USS updated to 31 March 2011. A copy of the complete 'Scheme Funding Report' is available on the USS website ([www.uss.co.uk](http://www.uss.co.uk)) with a summary of the key points below.

Strong all-round investment performance in the year to 31 March 2014 lifted the value of the scheme's net assets by a total of 7.6% or £3 billion over the financial year to £41.6 billion excluding Money Purchase AVCs. This has helped USS to become the largest pension fund in the UK, when measured by the value of assets under management. The in-house investment team outperformed the aggregate strategic benchmark by 1.4%, adding around £540 million in value to the fund above the anticipated returns. This has contributed to the reported fall in the deficit from £11.5 billion in last year's actuarial report to £7.2 billion, as calculated on actuarial assumptions from the 2011 valuation. USS has carried out a formal valuation of the scheme's funding position in 2014. This involves a detailed review of the financial information regarding the fund and its investments which is carried out by the trustee board and its advisers. The results of this valuation are not yet available.

# NOTES TO THE ACCOUNTS

USS is currently undergoing an employer consultation exercise. Changes to the future pension benefits provided by USS have been proposed by the Joint Negotiating Committee, a formal body within USS which is responsible for deciding on such changes. The proposed changes are now the subject of a formal consultation with affected employees and their representatives ([www.ussconsultation.co.uk](http://www.ussconsultation.co.uk)).

USS is a long term scheme and the trustee board has a long term horizon over which funding can be planned given the status and longevity of the scheme's sponsoring employers. USS provides secure benefits to nearly 300,000 active, deferred and pensioner members, and the trustee board will continue to manage the scheme diligently and, where necessary, to revise scheme funding in conjunction with the scheme's sponsoring employers and other stakeholders to ensure that it continues to meet its commitments both now and in the future.

### 3c. Staff Numbers

	Permanently Employed Staff FTE	Others FTE	2014-15 Total FTE	2013-14 Total FTE
Directly Employed	84	6	90	81
Other	0	2	2	1
<b>Total</b>	<b>84</b>	<b>8</b>	<b>92</b>	<b>82</b>
PSU staff included in above	31	-	31	24

The PSU FTE has increased year on year as new recruits are recruited to AHRC.

### 3d. Civil Service Compensation Scheme Analysis

Value	Compulsory Redundancies		Other Departures		Total Departures	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
<£10,000	-	-	-	-	-	-
£10,000-24,999	-	-	-	-	-	-
£25,000-49,999	-	-	-	2	-	2
£50,000-99,999	-	-	1	1	1	1
£100,000-149,999	-	-	-	-	-	-
£150,000-200,000	-	-	-	-	-	-
Total number of exit packages	-	-	1	3	1	3
<b>Total resource cost of exit packages (£000)</b>	-	-	<b>81</b>	<b>142</b>	<b>81</b>	<b>142</b>

AHRC agreed to the voluntary exit of one employee in 2014-15 as a residual element of the restructure of the Programmes Directorate which came into effect in 2014-15.

All payments were made in accordance with contractual terms and payments were made in accordance with the Research Councils' Pension Compensation Scheme arrangements, which are analogous with the Civil Service Pension Compensation Scheme.

<b>4a. Research</b>	<b>2014-15</b>	<b>2013-14</b>
	<b>£000</b>	<b>£000</b>
Research Grants	32,963	31,960
Themed/Directed Research	19,289	14,059
Knowledge Transfer	5,739	8,320
International Engagement	185	493
Capital Grants	5,265	3,941
RCUK Operations	192	156
Open Access	796	677
Cross-Council Responsive Mode Awards	278	317
<b>Total Expenditure on Research</b>	<b>64,707</b>	<b>59,923</b>

<b>4b. Postgraduate Awards</b>	<b>2014-15</b>	<b>2013-14</b>
	<b>£000</b>	<b>£000</b>
Block Grant Partnerships	33,621	35,965
Non BGP Competition	(21)	59
Collaborative Doctoral Awards	4,595	4,670
Skills Development & Collaborative Research Training	(79)	323
Research, Careers & Diversity Unit	-	57
International Mobility	262	249
Language Based Area Studies	742	786
Clore Leadership Programme	57	68
<b>Total Expenditure on Postgraduate Awards</b>	<b>39,177</b>	<b>42,177</b>

<b>4c. Other Programme Expenditure</b>	<b>2014-15</b>	<b>2013-14</b>
	<b>£000</b>	<b>£000</b>
Operating Expenses	262	302
Accommodation Costs	37	1
IT Costs	-	4
Professional Fees	58	119
Consultancy	29	-
Marketing and Advertising	96	69
Travel and Subsistence	118	103
<b>Total Expenditure on Other Programme Costs</b>	<b>600</b>	<b>598</b>



# NOTES TO THE ACCOUNTS

<b>5. Administration Expenditure and Notional Costs</b>	<b>2014-15</b>	<b>2013-14</b>
	<b>£000</b>	<b>£000</b>
Operating Expenses	561	422
Accommodation Costs	281	243
IT Costs	223	147
Professional Fees	213	372
Consultancy	11	-
Marketing and Advertising	144	221
External Auditors Fees	46	48
Travel and Subsistence	150	122
Depreciation	170	160
Amortisation	38	67
<b>Sub-Total</b>	<b>1,837</b>	<b>1,802</b>
SBS Notional Service Charge	1,071	1,070
<b>Total Other Administrative Costs</b>	<b>2,908</b>	<b>2,872</b>

Please note that the SBS annual service charge is made via an allocation reduction by BIS.

<b>6. Income</b>	<b>2014-15</b>	<b>2013-14</b>
	<b>£000</b>	<b>£000</b>
Income From Other Research Councils	(3,537)	(1,762)
Income From Central Government	(228)	(125)
Income From Other Bodies	(268)	(97)
<b>Total Operating Income</b>	<b>(4,033)</b>	<b>(1,984)</b>
EU Income	(223)	(95)
Cofunded Grants Income	(1,635)	(1,637)
PSU Income	(2,012)	(225)
Other Income	(163)	(27)
<b>Total Operating Income</b>	<b>(4,033)</b>	<b>(1,984)</b>

<b>7. Plant, Property &amp; Equipment</b>	<b>IT</b>	<b>Furniture and Fittings</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuation at 1 April 2014</b>	<b>51</b>	<b>817</b>	<b>868</b>
Additions	-	-	-
Disposals	(14)	-	(14)
<b>At 31 March 2015</b>	<b>37</b>	<b>817</b>	<b>854</b>
<b>Depreciation at 1 April 2014</b>	<b>38</b>	<b>538</b>	<b>576</b>
Charge in the year	6	164	170
Disposals	(14)	-	(14)
<b>At 31 March 2015</b>	<b>30</b>	<b>702</b>	<b>732</b>
<b>Net book value at 31 March 2015</b>	<b>7</b>	<b>115</b>	<b>122</b>

<b>Plant, Property &amp; Equipment</b>	<b>IT</b>	<b>Furniture and Fittings</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuation at 1 April 2013</b>	<b>51</b>	<b>707</b>	<b>758</b>
Additions	-	115	115
Disposals	-	(5)	(5)
<b>At 31 March 2014</b>	<b>51</b>	<b>817</b>	<b>868</b>
<b>Depreciation at 1 April 2013</b>	<b>31</b>	<b>388</b>	<b>419</b>
Charge in the year	7	153	160
Disposals	-	(3)	(3)
<b>At 31 March 2014</b>	<b>38</b>	<b>538</b>	<b>576</b>
<b>Net book value at 31 March 2014</b>	<b>13</b>	<b>279</b>	<b>292</b>

# NOTES TO THE ACCOUNTS

<b>8. Intangible Assets</b>	<b>Website</b>	<b>Software</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuation at 1 April 2014</b>	<b>76</b>	<b>56</b>	<b>132</b>
Additions	-	-	-
Disposals	-	-	-
<b>At 31 March 2015</b>	<b>76</b>	<b>56</b>	<b>132</b>
<b>Amortisation at 1 April 2014</b>	<b>61</b>	<b>33</b>	<b>94</b>
Charge in the year	15	23	38
Disposals	-	-	-
<b>At 31 March 2015</b>	<b>76</b>	<b>56</b>	<b>132</b>
<b>Net book value at 31 March 2015</b>	<b>-</b>	<b>-</b>	<b>-</b>

<b>Intangible Assets</b>	<b>Website</b>	<b>Software</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>Cost or Valuation at 1 April 2013</b>	<b>76</b>	<b>56</b>	<b>132</b>
Additions	-	-	-
Disposals	-	-	-
<b>At 31 March 2014</b>	<b>76</b>	<b>56</b>	<b>132</b>
<b>Amortisation at 1 April 2013</b>	<b>22</b>	<b>5</b>	<b>27</b>
Charge in the year	39	28	67
Disposals	-	-	-
<b>At 31 March 2014</b>	<b>61</b>	<b>33</b>	<b>94</b>
<b>Net book value at 31 March 2014</b>	<b>15</b>	<b>23</b>	<b>38</b>

## 9. Investment in UK SBS Ltd

AHRC holds one Non-Government Department (NGD) share (nominal value £1) in UK SBS Ltd, as do eight other NGD shareholders. These NGD shares together carry 49% of the votes in UK SBS Ltd. BIS (already defined in Note 1) holds one Government Department (GD) share (nominal value £1) carrying 51% of the votes. BIS also owns 100% of the non-voting shares in UK SBS Ltd with a nominal value of £62,016,358, which entitles it to 100% of the profits of that company.

**10. Trade Receivables and Other Current Assets****31 March 2015**  
**£000****31 March 2014**  
**£000****Amounts falling due within 1 year:**

Trade Receivables	926	1,211
Other Receivables	2	3
Prepayments	8,915	10,584
Accrued Income	281	377
<b>Total</b>	<b>10,124</b>	<b>12,175</b>

**Analysis by Provider:**

BIS and BIS Partner Organisations	405	669
Bodies External to Government	9,719	11,506
	<b>10,124</b>	<b>12,175</b>

**11. Cash and Cash Equivalents****31 March 2015**  
**£000****31 March 2014**  
**£000**

Balance at 1 April	7,460	5,336
Net Change in Cash and Cash Equivalents	(3,487)	2,124
<b>Balance at 31 March</b>	<b>3,973</b>	<b>7,460</b>

**The following balances at 31 March 2015 were held at:**

Government Banking Service	3,973	7,460
Commercial Banks and Cash in Hand	-	-
	<b>3,973</b>	<b>7,460</b>

# NOTES TO THE ACCOUNTS

## 12. Trade Payables and Other Current Liabilities

	31 March 2015	31 March 2014
	£000	£000
<b>Amounts falling due within 1 year:</b>		
Trade Payables	(217)	(911)
Other Payables	(91)	(2)
Accruals	(4,151)	(5,809)
Deferred Income	(104)	(17)
<b>Total</b>	<b>(4,563)</b>	<b>(6,739)</b>

### Analysis by Provider:

BIS and BIS Partner Organisations	(532)	(781)
Bodies External to Government	(4,031)	(5,958)
<b>Total</b>	<b>(4,563)</b>	<b>(6,739)</b>

## 13. Financial Instruments

The AHRC is committed to pay a total of €1,145,436 towards the Humanities in the European Research Area Joint Project from 2015 to 2016 and so could potentially be exposed to currency exchange risk in the future. This is not a financial instrument as this commitment is not a financial liability on the AHRC's Statement of Financial Position at 31 March 2015. Policy Note 1j explains how AHRC is not exposed to financial risk to any significant degree. As at March 2015 there is no material difference between the fair value and the book value of the financial assets and liabilities.

## 14. Provisions

	£000
At April 2014	(150)
Payment/Utilisation of Provision	17
Increase in Provision	(15)
<b>At March 2015</b>	<b>(148)</b>

	31 March 2015	31 March 2014
	£000	£000
Early Retirement		
Not later than one year	(15)	(15)
Later than one year and not later than five years	(133)	(57)
Later than five years	-	(78)
<b>Total</b>	<b>(148)</b>	<b>(150)</b>

The AHRC relocated its offices from Bristol to Polaris House, Swindon in June 2010. As a result of the relocation of offices and internal restructuring an early retirement provision has been recognised in these financial statements.

<b>15. Third Party Asset</b>	<b>2014-15</b>	<b>2013-14</b>
	<b>£000</b>	<b>£000</b>
At April 2014	43	37
Gross Inflow	-	14
Gross Outflow	(6)	(8)
<b>At 31 March 2015</b>	<b>37</b>	<b>43</b>

In 2012-13, €43,288 was transferred to AHRC as it was agreed that the Council would take over the coordination responsibility for the Humanities in the European Research Area (HERA) network. The funds held on behalf of the third party are recognised and recorded in GBP, AHRC's functional currency. These are not AHRC assets and are not included in the Financial Statements.

#### 16. Commitment under Leases

AHRC has no commitments under leases.

<b>17. Other Financial Commitments</b>	<b>31 March 2015</b>	<b>31 March 2014</b>
	<b>£000</b>	<b>£000</b>
<b>Research Awards</b>		
Not later than one year	57,558	53,099
Later than one year and not later than five years	43,262	54,661
Later than five years	-	-
	<b>100,820</b>	<b>107,760</b>
<b>Postgraduate Awards</b>		
Not later than one year	26,255	27,960
Later than one year and not later than five years	61,220	88,716
Later than five years	10	2,583
	<b>87,485</b>	<b>119,259</b>

#### 18. Losses

During the year UK SBS undertook an exercise on behalf of all the research councils to collate any bad debts and present them to BIS for approval to write off. As a result of the exercise, AHRC has received permission to write off a total of £16,511 representing 11 invoices.

The invoices concerned had all formerly been provided for.

# NOTES TO THE ACCOUNTS

## 19. Contingent Liabilities

The AHRC has a contingent liability concerning the USS pension scheme. The AHRC offers staff the ability to continue contributing to this scheme, but it is currently underfunded and should the AHRC have no USS Pension Scheme members in its employment, the AHRC is liable to pay its share of the deficit. Professor Rick Rylance, the AHRC's Chief Executive Officer and Professor Mark Llewellyn, the Director of Research, are currently members of the USS Pension Scheme. At 31 March 2015 there is an estimated contingent liability of £340,000, which will crystallise if both leave the AHRC.

## 20. Related Party

The AHRC is a Non-Departmental Public Body (NDPB) sponsored by the Department for Business, Innovation and Skills (BIS).

BIS is regarded as a related party. During the year, the AHRC has had various material transactions with BIS and with other entities for which BIS is regarded as the parent department, as follows: Biotechnology & Biological Sciences Research Council; Economic & Social Research Council; Engineering & Physical Sciences Research Council; Medical Research Council; Natural Environment Research Council; Science & Technology Facilities Council; and Innovate UK Ltd. In addition, the AHRC has had various material transactions with the UK Shared Business Services Limited (formerly Research Councils' Shared Services Centre) and with another Central Government body, the Higher Education Funding Council for England.

These Accounts provide disclosure of all material financial transactions with senior executive staff and all Council members. In addition disclosure is provided in respect of members of the AHRC's peer review panels, which make recommendations on research and postgraduate awards.

During the year, the AHRC did not enter into any transactions with any senior executive staff. However, it did enter into a number of material transactions with Institutions employing Council/Advisory Board/Panel members who had a direct interest in the award concerned (Table A). None of the Council/Advisory Board/Panel members was involved in the recommendation of awards to the Institution where they are a senior member of staff or member of the Governing body.

Information is disclosed on material financial transactions with any related party of senior staff or Council members. Advisory Board members have been included to recognise their influence on the AHRC in respect of strategy development and prioritisation (Table B).

In addition, the AHRC made a number of payments in respect of AHRC funded awards to Institutions where Council members are also members of staff or members of governing bodies. None of the disclosed Council members was involved in the recommendation of awards to the Institution where they are a member of staff or member of the governing body (Table C). The figures stated are for Research and Awards.

**Table A**

<b>Council Member/Advisory Board/Panel Members</b>	<b>Institution</b>	<b>No. of Awards</b>	<b>Amount £000</b>
Dr Nicholas Baron	University of Nottingham	1	56
Professor Michael Beaney	University of York	1	35
Professor Mike Braddick	University of Sheffield	1	160
Professor Richard Bradley	London School of Economics & Pol Sci	1	1,223
Professor Douglas Cairns	University of Edinburgh	1	478
Professor Nandini Das	University of Liverpool	2	1,629
Professor Graeme Earl	University of Southampton	1	96
Professor Georgina Endfield	University of Nottingham	1	849
Professor Mark Everist	University of Southampton	3	1,557
Professor Keri Facer	University of Bristol	1	857
Professor Georgina Follett	University of Dundee	1	4,116
Professor Charles Forsdick	University of Liverpool	1	437
Dr Duncan Garrow	University of Reading	1	49
Dr Fiona Anne Seaton Hackney	Falmouth University	1	55
Professor Deirdre Heddon	University of Glasgow	2	5,576
Professor Audrey Horning	Queen's University of Belfast	1	55
Dr Erica Camilla Diana Hunter	School of Oriental & African Studies	1	531
Professor Claire Jowitt	University of Southampton	1	27
Professor Barbara Kelly	Keele University	2	11
Mr Anthony Lilley	Magic Lantern Productions	1	100
Professor Alastair Macdonald	Glasgow School of Art	1	55
Professor Michaela Mahlberg	University of Nottingham	1	200
Dr Mark Maltby	Bournemouth University	1	1,577
Professor George McKay	University of East Anglia	1	280
Dr Simon Mckerrell	Newcastle University	1	69
Professor Nicola McLelland	University of Nottingham	1	26
Professor Andrew McRae	University of Exeter	2	842
Professor James Mills	University of Strathclyde	1	36
Professor Catherine Moriarty	University of Brighton	2	117
Professor Helen Nicholson	Royal Holloway, Univ of London	2	439
Dr David O'Brien	Goldsmiths College	1	24
Dr Kate Heron Pahl	University of Sheffield	1	80
Professor David Parker	University of Birmingham	1	806



# NOTES TO THE ACCOUNTS

**Table A cont.**

Council Member/Advisory Board/Panel Members	Institution	No. of Awards	Amount £000
Dr Juliette Pattinson	University of Kent	1	160
Professor Jane Pavitt	Royal College of Art	1	62
Professor Richard Phillips	University of Sheffield	1	56
Professor Andrew Prescott	University of Glasgow	1	361
Professor Jennifer Richards	Newcastle University	1	28
Professor Adrienne Scullion	University of Glasgow	1	55
Professor Barry Smith	University of London	1	535
Professor Matija Strlic	University College London	2	122
Professor Rosemary Sweet	University of Leicester	2	220
Professor Claire Taylor	University of Liverpool	1	79
Professor Andrew Thompson	University of Exeter	1	593
Professor John Thompson	Queen's University of Belfast	1	55
Professor Carol Tully	Bangor University	1	420
Professor Greg Walker	University of Edinburgh	1	751
Dr Andrew Walters	Cardiff Metropolitan University	1	40
Professor Sarah Whatley	Coventry University	2	527
Dr Paul Williams	University of Exeter	1	144
Professor Jane Winters	University of London	1	676

**Table B**

There were no material financial transactions with any related party of AHRC senior staff, Council and Advisory Board members.

**Table C**

<b>Council Member</b>	<b>Institution</b>	<b>Aggregate Amount £000</b>
Professor Andrew Thompson	University of Exeter	2,350
Professor Sir David Eastwood	University of Birmingham	2,557
Professor Sir Drummond Bone	Balliol College, Oxford	6,742
Professor Fiona McPherson	University of Glasgow	5,180
Professor Greg Walker	University of Edinburgh	2,430
Mr Robert Dufton	University of Sheffield	1,785
Professor Tom Inns	Glasgow School of Art	293
Professor Svenja Adolphs	University of Nottingham	3,008

Professor Andrew Thompson has been supporting AHRC's Chief Executive Officer whilst he undertakes his Chair of RCUK activities. The AHRC has recompensed Exeter University for his time. He absents himself from all AHRC discussions and meetings that relate to decisions on new or continued funding involving Exeter University for the duration of his contract.

## **21. Events after the Reporting Period**

In accordance with the requirements of IAS10 'Events After the Reporting Period', post-Statement of Financial Position events are considered up to the date on which the Accounts are authorised for issue. This is interpreted as the same date as the date of the Certificate Report of the Comptroller and Auditor General. There are no post-Statement of Financial Position events between the balance sheet date and this date.



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