



# Arts & Humanities Research Council Annual Report & Accounts 2016-17



Arts & Humanities  
Research Council





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Any enquiries related to this publication should be sent to us at

Arts and Humanities Research Council  
Polaris House  
North Star Avenue  
Swindon SN2 1FL

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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.

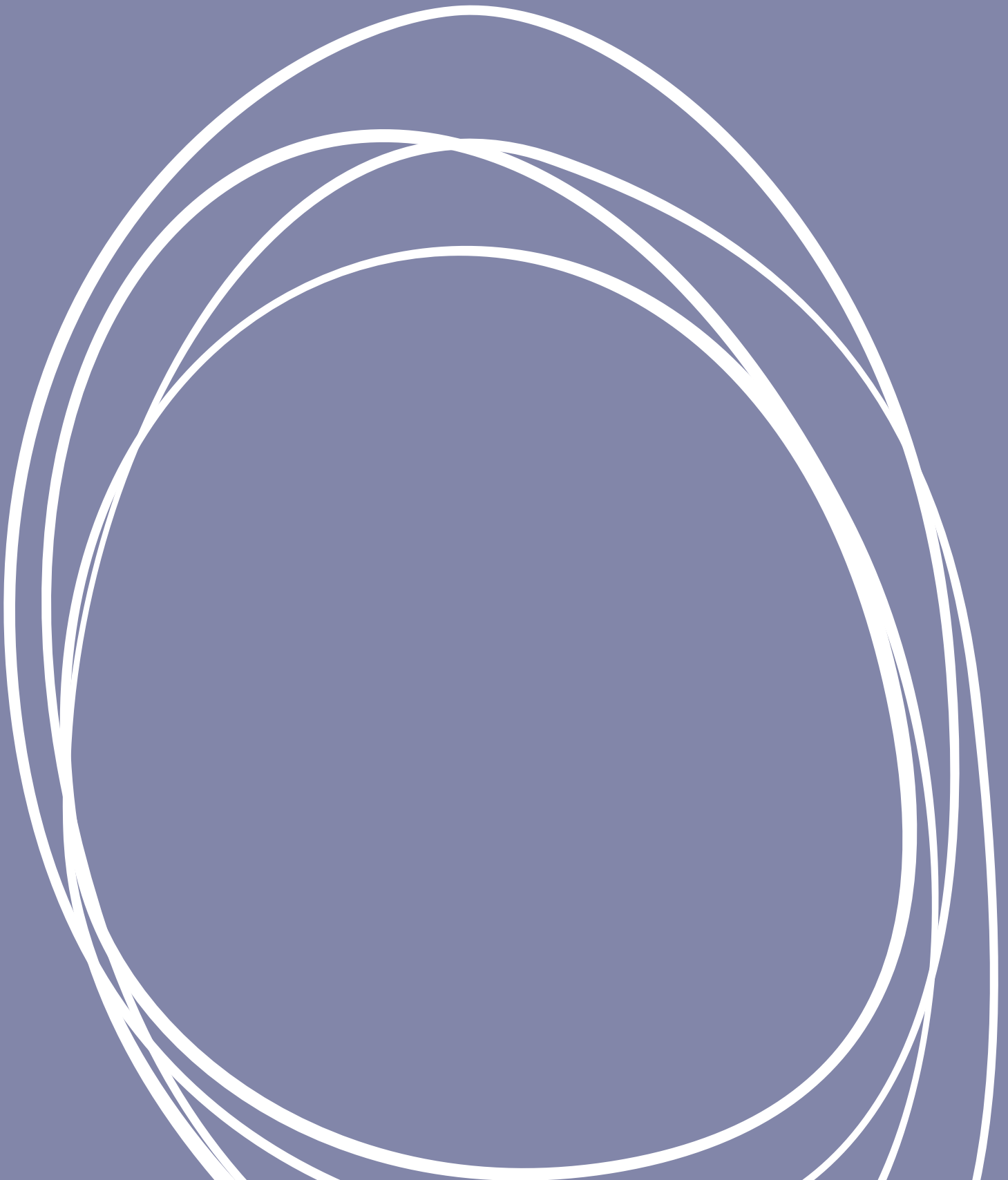
The AHRC is a non-departmental public body (NDPB) sponsored by the Department for Business, Energy & Industrial Strategy (BEIS), along with the other six Research Councils. It is governed by its Council, which is responsible for the overall strategic direction of the organisation.

Arts and Humanities Research Council, Polaris House,  
North Star Avenue, Swindon SN2 1FL

# Performance Report

Overview

Performance Analysis





# Chairman's FOREWORD

As a research community we are living through a period of transition that mirrors in some ways the changes in the world around us.

The new UK Research and Innovation (UKRI) organisation is due to arrive in spring 2018. To make sure that we are prepared, the Arts and Humanities Research Council (AHRC) has worked hard this year to get ahead of the game.

We have looked very carefully at how our Council is constructed and we have had one-to-one contact with all our Council members and the groups that support them. We've had extensive discussions and together developed a sense of common purpose and a determination to make the most of what lies ahead.

But there is more to do. Over the coming year the AHRC has got to define its place in relation to the fluid world in which we find ourselves.

This year we will do more to build our public face and make sure we are speaking to society at large, as well as to our peers in the research community.

We have to make sure that the importance of our research reaches widely and that we position ourselves at the heart of society. At this challenging time nationally, a healthy civic life is vital, and the arts and humanities have a vital role to play in enhancing understanding across our society and economy.

We saw a perfect example of how important the role of the arts and humanities are during the recent Ebola crisis in West Africa.

On the face of it this was a huge medical and logistical challenge. But it was only when those involved started to understand the funeral practices of the communities they were trying to help – and the fact that the ritual cleaning of corpses before burial was helping spread the disease – that the intervention started to be the success that it finally was.

This year we need to do more to weave what we do into the world around us. As a society, it's increasingly important that we understand the local communities we deal with and the history behind them.

We need to communicate more and more effectively. Academics across the UK must capitalise on the new inter-relationship between research innovation and the overseas development agenda offered by the Global Challenges Research Fund.

This is a real opportunity. We need to be open to change and try to lead that change. The coming years will present many opportunities to further prove our worth if we can rise to the challenge.

We all need to remember that UKRI will bring with it the benefits of research having a higher profile in government. We need to get on the front foot with this, rather than waiting to have things done for us or even to us.

There are real opportunities in that outreach. For example, having one obvious voice lobbying for the research base is arguably more persuasive than a cacophony.

But we also need to be aware of the potential pitfalls presented by over-centralisation and guard against them.

We need to protect the autonomy of the Councils and ensure that decisions are made at the most appropriate level.

At the AHRC we feel optimistic that research in the arts and humanities will be very important for society over the next few years. But there is still a lot to fight for.

Civil society is more important than ever. The challenge for us is to make sure we provide the insight and understanding that the world so desperately needs.

As we move forward I would like to give very specific thanks to Andrew Thompson for his hard work over the last year. There have been very particular pressures during his time in the role and he has provided solid leadership.

I'm also very proud of the commitment and hard work of AHRC staff, helping to support our community in delivering the world-class research that makes such an important contribution to the international standing of the UK.

**Professor Sir Drummond Bone**  
Chair, AHRC



# Chief Executive's STATEMENT

We live in a time of rapid and unsettling change. All across the world the political landscape is in flux. Many aspects of our society that have seemed familiar and enduring are increasingly being questioned and challenged.

For any student of history these are familiar themes – times change, narratives are challenged and new orders emerge. And it's our capacity to take the long reflective view that illustrates the value of the arts and humanities in the modern world.

More than ever we need the insights and perspectives of the arts and humanities to navigate the great global challenges of our times. The researchers we support have a vital role to play in providing new and challenging thinking around sustainable development and tackling world poverty, the role of the creative industries in securing the UK's cultural as well as economic future, and what it means to be human in a rapidly globalising world where technology is too easily seen as an end in itself rather than the servant of society.

Yes, this is a time of change. But all periods of change bring with them opportunities and this year we need to make a strong case for the value that Arts and Humanities Research Council (AHRC)-funded research can bring to our society – and our economy.

In scale and significance, the creative economy is crucial to the UK's future and the best calling card we have in the post-Brexit world. It's the fastest growing sector globally and the UK boasts the largest creative economy sector in Europe.

Arts and humanities research is critical to its success.

The sector thrives on the marriage of technology with arts and humanities know-how. The combination of these skills is a key driver for innovation in new creative content, technology-enabled products and services and the development of underlying digital technologies to drive business growth in advertising, design, film, TV, gaming, music, museums and theatre.

To help knit our work into the wider economy the AHRC has, over the last four years, established four Knowledge Exchange Hubs for the Creative Economy.

These work across different disciplines and sectors to embed arts and humanities research and thinking in the wider business community across the UK.

Their focus has been on building exciting new partnerships – with small businesses, with public sector organisations, with national arts and heritage bodies and with entrepreneurs.

Their success shows not only that individual researchers can engage productively with these dynamic sectors but that universities themselves are perfectly positioned to be key drivers of the local creative economy.

The reach of the four hubs has been astonishing – 350 businesses, from sole traders to medium-sized enterprises, 320 academics and 171 third-sector organisations have been involved in new forms of collaboration – helping to power the creative economy and create new products and jobs.

In addition, this year the Government announced the Global Challenges Research Fund, a £1.5bn fund to support projects that will improve the economic prosperity and quality of life of people in developing nations.

It's a really exciting initiative and an important opportunity for the arts and humanities research community. The Fund will tackle global problems such as conflict and violence, the struggle for human rights, and climate change – and within this the arts and humanities have got an important voice that needs to be heard.

The AHRC has a direct funding allocation from the Global Challenges Research Fund of £26m for the next four years.

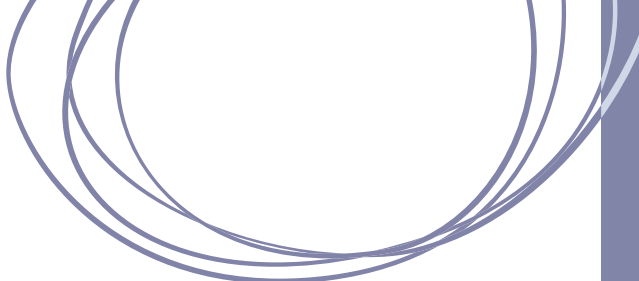
We are currently developing opportunities for the arts and humanities community within our existing funding schemes and in some distinct funding calls.

But it is also vital that we remember to talk to those outside our peer group as well and demonstrate what the arts and humanities mean to them.

Through our partnerships with Independent Research Organisations – which celebrate their tenth anniversary this year – we are taking research direct to the public.

The major Hokusai exhibition at the British Museum is just one wonderful example that will be enjoyed by many thousands of people – with our research funding helping to tell an exciting new story for this artist famous for his Great Wave, based around curatorial excellence and international collaboration.





Last autumn the Research in Film Awards celebrated a hugely creative crop of films that demonstrated how imaginative the academic community can be in finding new ways to share their work. Film as a medium represents an important way of communicating the relevance of arts and humanities research to new audiences with winning films tackling the future of skateboarding at the South Bank and a project in India that used video cameras as a tool for empowerment.

Once again, the New Generation Thinkers scheme, now in its seventh year, gave academics at the start of their careers the chance to share with Radio 3 listeners their research and passion for ideas that challenge the status quo.

The Being Human Festival, a project led by the School of Advanced Study, University of London, in partnership with the AHRC and the British Academy, continues to grow with tens of thousands of people attending talks and lectures across the UK.

The festival highlights the many ways in which the humanities inspire – and enrich – all our lives, and that's a message we all need to carry with us this year as we face the challenges ahead.

Fundamentally, what we do in the arts and humanities matters. It helps the world to understand itself. It explores how we relate to one another – and how we face a changing world, together.

**Professor Andrew Thompson**  
Chief Executive Officer, AHRC

# Overview

## 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. The AHRC is a Statutory Non-departmental Public Body established by Royal Charter.

## Nature of the 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.

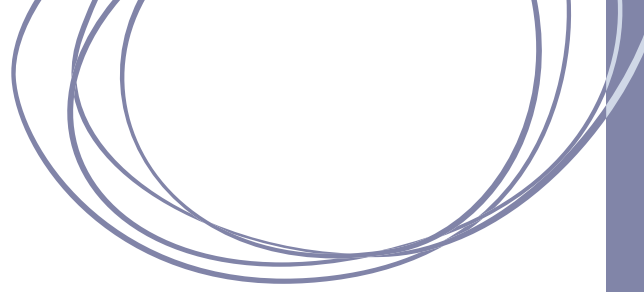
The quality and range of research supported by this investment of public funds provides economic, social and cultural benefits to the UK working with universities and flagship cultural institutions. It also delivers major public engagement initiatives such as the New Generation Thinkers scheme in partnership with BBC Radio 3 and the Being Human Festival, which is a national celebration of the humanities.

You can find out more at [www.ahrc.ac.uk](http://www.ahrc.ac.uk) or by following the AHRC on twitter at @ahrpress or on Facebook at @artsandhumanitiesresearchcouncil

## Financial Highlights

<b>Statement of Comprehensive Net Expenditure</b>	<b>2016-17 £000</b>	<b>2015-16 £000</b>
Operating Income	(5,695)	(4,618)
Operating Expenditure	112,725	107,548
Total Comprehensive Net Expenditure	107,030	102,930
<b>Statement of Financial Position</b>	<b>As at March 2017 £000</b>	<b>As at March 2016 £000</b>
Total Non-current Assets	45	70
Total Current Assets	15,740	15,597
Total Current Liabilities	(7,824)	(6,031)
Total Non-current Liabilities	(114)	(120)
Total Net Assets	7,847	9,516
<b>Statement of Cash Flows</b>	<b>2016-17 £000</b>	<b>2015-16 £000</b>
Net Cash Outflow from Operating Activities	(107,110)	(100,713)
Net Cash Outflow from Investing Activities	(7)	(16)
Net Cash Flow from Financing Activities	105,361	102,938
Net Increase/(Decrease) in Cash and Cash Equivalents in the period	(1,756)	2,209

The full financial statements for 2016-17 can be found on pages 46-49.



## AHRC 2016-17 deliverables and milestones at a glance

Priority/theme	Deliverables/milestones	Progress
<b>Supporting world-class arts and humanities research</b>	<ul style="list-style-type: none"> <li>● Support research excellence across the UK</li> </ul>	<ul style="list-style-type: none"> <li>● Good progress in furthering excellent arts and humanities research; on 31 March 2017, the AHRC was supporting 1,363 Principal and Co-investigators at 101 UK HEIs and Independent Research Organisations through 551 awards.</li> </ul>
<b>AHRC priority areas</b>	<ul style="list-style-type: none"> <li>● Develop major new initiatives in the AHRC's strategic priority areas of Design, Heritage and Modern Languages</li> </ul>	<ul style="list-style-type: none"> <li>● Priority Area Leadership Fellows appointed and have begun the work of advocacy and informing the strategic direction of AHRC activity in their areas.</li> </ul>
<b>AHRC themes</b>	<ul style="list-style-type: none"> <li>● Sustaining the legacy of the AHRC's four research themes</li> </ul>	<ul style="list-style-type: none"> <li>● A Highlight Notice under the Follow-on Fund for Impact and Engagement Schemes will provide support for new innovations which have emerged from research carried out under the four themes.</li> </ul>
<b>Supporting new generations of postgraduates and early career researchers</b>	<ul style="list-style-type: none"> <li>● Doctoral funding and enhanced provision for training, international opportunities, postdoctoral work and networking</li> </ul>	<ul style="list-style-type: none"> <li>● The 18 Doctoral Training Partnerships (DTPs), Centres for Doctoral Training (CDTs) and Collaborative Doctoral Partnerships (CDPs) continue to progress well.</li> <li>● New reporting has been developed for the CDTs and DTPs which is more in line with the cross-Council template.</li> <li>● Future funding plans for DTP2 and CDPs are in train, to commence in 2019.</li> </ul>
<b>Enhancing the creative economy</b>	<ul style="list-style-type: none"> <li>● Further development of the Knowledge Exchange Hubs model for knowledge exchange in the creative economy</li> <li>● New initiatives to support the creative economy</li> </ul>	<ul style="list-style-type: none"> <li>● The AHRC is leading on crucial scoping work to support the sector, including the ongoing 'Creative Fuse North East' and 'Bristol and Bath by Design' projects, which completed in November.</li> <li>● A Creative Economy Champion has been appointed and is working alongside the new, high-profile Creative Economy Advisory Group to identify future strategy.</li> </ul>
<b>Addressing complex challenges through cross-Council working</b>	<ul style="list-style-type: none"> <li>● Supporting existing cross-Council programmes</li> <li>● Developing new cross-Council initiatives</li> </ul>	<ul style="list-style-type: none"> <li>● Significant progress has been made on Global Challenges Research Fund calls, working with the ESRC, NERC and MRC. Arts and humanities researchers are very well represented in the first set of awards from the GCRF Collective Fund.</li> </ul>

## Chief Executive

Professor Andrew Thompson – who will remain on secondment from the University of Exeter – was appointed as the Chief Executive Officer of the AHRC on 27 March 2017. Professor Thompson will also transition to become the first Executive Chair of the AHRC upon the creation of UK Research and Innovation (UKRI) in April 2018.

## Performance and position of the organisation

The AHRC is a global leader, supporting world-class research and creating pioneering initiatives which connect the arts and humanities to the knowledge and creative economies. It provides important developmental opportunities for researchers at all stages of their careers, equipping them with the skills and knowledge to work with partners from sectors ranging from public policy to industry. The excellent research funded by the Council, together with skills development opportunities, underpin the worldwide reputation of the UK's arts and humanities as a rich and innovative sector of outstanding quality.

## Forward performance

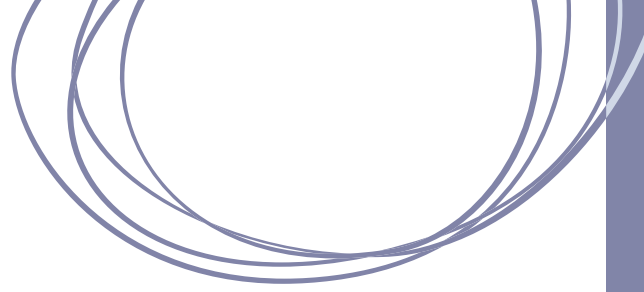
The AHRC will continue to advance its core work in the upcoming year, supporting the UK's research base by funding excellent research and facilitating collaboration between researchers and key non-academic sectors. The Council's high quality training programmes will continue to set the model for doctoral training across the arts and humanities, enabling doctoral students to graduate with a broad transferable skillset and experience of working with partners in multiple sectors. The AHRC will continue to deliver world-leading and cutting-edge programmes and strategies, renowned in the UK and internationally, to further develop the competitiveness of the UK's research base.

The Council will move forward significantly with its cross-Council plans, particularly in relation to the GCRF. It will launch a cluster of Area Focused Network Plus awards, enabling expertise from NGOs, policy bodies, business, third sector and community organisations to come together and address some of the world's most complex international development challenges. The AHRC will be launching its second call for internationally collaborative

research on Global Public Health in partnership with the MRC. It will progress several Newton Fund projects, taking forward a call on the creative economy, a collaboration with China, as well as calls on cultural heritage with India and Egypt. The Council will also drive forward other international projects, working with the EU's Joint Partnership Initiative (JPI) on Cultural and Global Change and the Humanities in the European Research Area (HERA) programme on planning future calls, specifically focused on the issues of public space and cultural engagement.

The AHRC has major plans to further develop its activities relating to the creative economy and public policy. In recent years the AHRC has sparked a culture change within and across HEIs in how they interact and build sustainable relationships with the creative sector. In the coming year our focus will be on strengthening our alliances with key stakeholders to collectively transform the research and development infrastructure for the sector. The Council is developing a clear strategy for its contribution centred around two initial objectives for action. First, to develop new ways to support sustainable creative clusters across the UK through brokering stronger connections between HEIs, creative businesses and other relevant organisations. And second, by developing a challenge-led funding opportunity for arts and humanities researchers to work together with creative practitioners in exploring immersive and interactive technologies.

The Council will maximise its public policy strategy, facilitating opportunities through researcher-led initiatives and by bringing policy-makers and researchers together. The Council will launch a call in collaboration with the ESRC for embedded Fellowships with the Foreign and Commonwealth Office in spring 2017. The AHRC has also increased capacity for its Engaging with Government course for 2017. The three-day course is extremely competitive, providing researchers with the opportunity to develop skills to understand and pursue the policy implications of their work. It will advance other plans for public policy initiatives, including the development of an Engagement Centre on human rights, inequalities and social justice to support researcher-policy engagement. This work is being carried out in collaboration with the ESRC, NatCen Social Research and the Equality and Diversity Forum Research Network.



## Performance against key performance indicators

The AHRC's performance is measured against its Royal Charter objectives to:

- promote and support high quality research and postgraduate training;
- advance knowledge and understanding of the arts and humanities in order to provide trained personnel;
- contribute to economic competitiveness and effective public services and policy; and
- enhance quality of life and creative output.

The Council provides research funding to academics carrying out excellent research at every stage of their career across the range of disciplines within the arts and humanities. 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 that UK researchers are key players on the international stage. The AHRC develops KPIs each year in alignment with the Delivery Plan and alongside budgetary planning. This work is carried out by SMT in collaboration with Team Heads across the Council. They are reviewed and monitored via the AHRC's scorecard; here each KPI is outlined, broken down into deliverable milestones and assigned an owner. The owner is responsible for updating the scorecard with evidence demonstrating progress against each milestone at the end of the financial year. The AHRC Risk Register identifies any business-critical concerns relating to the KPIs, triggering action where necessary. In addition, Team Heads are required to update the Chief Executive on their KPIs every quarter to feed into a report made to Council. Selected highlights are referenced below.

### Supporting the health of the arts and humanities and national capability: key figures

On 31 March 2017, the AHRC had made 551 live awards to 1,363 Principal and Co-investigators at 101 UK Higher Education Institutions and Independent Research Organisations. It is a testament to research excellence that AHRC-funded researchers are sought-after for collaborative projects with academic and non-academic

partners both in the UK and overseas. The live awards on 31 March 2017 included those to 98 International Co-investigators at 82 overseas HEIs in Europe, North America, South America, Asia and Africa. This is a significant increase on the figures from 2015-16, where the AHRC was funding 59 international Co-investigators at 52 HEIs outside of the UK. This reflects arts and humanities researchers' success in engaging with the GCRF fund, and the need for their expertise to tackle challenges around international development. In 2016-17, 45% of the new grants awarded by the AHRC included non-academic partners. In total, collaboration on AHRC grants awarded at all career stages resulted in over £5m of leveraged funding from over 500 organisations during 2016-17. The total amount leveraged from all of the research grants that were active at the end of the 2016-17 financial period stood at over £18.6m.

### Supporting the health of the arts and humanities and national capability: open call activity

Over the course of 2016-17, the AHRC has made a total of 164 awards through its open call schemes across the breadth of its subject remit (80 Research Grants, 35 Leadership Fellowships and 49 Research Networks). Each of these awards has made a significant contribution to knowledge generation in the arts and humanities and beyond. Interdisciplinarity is at the forefront of our funded research, with researchers leading the way in forging new ways of working in collaboration with partners outside of the arts and humanities and in non-academic sectors. The following paragraphs outline a selection of these awards.

'Mapping Museums: the history and geography of the UK independent sector 1960-2020' is the first UK research project to focus on the emergence and role of independent museums. The Research Grant is led by Birkbeck College who are working with the Bishopsgate Foundation, the Association of Independent Museums and Arts Council England. The work will provide crucial data, where little is known about independent museums despite the major impact that they have had on the UK's museums and galleries sector. A further Research Grant, 'A broadly usage-based account of British Sign Language syntax', will produce important and ground-breaking work on the structure of sign language. The project, led by University College London and co-funded by ESRC, will be an

excellent resource for professionals working with deafness and to the deaf community thanks to new training opportunities it will provide.

Research into how culture enriches public debate in societies marked by war and genocide is providing important insights into how countries with traumatic pasts move forwards. 'Culture and its Uses as Testimony' is a Research Network led by the University of Birmingham with the Holocaust Centre. Led by arts and humanities researchers, it brings together scholars and practitioners from a range of disciplines and sectors to better understand the important role of culture in civil society in post-conflict nations. Important work is being carried out through a further Research Network exploring how chronic wounds are treated and cared for in the UK. Bringing together researchers, practitioners and patients, 'Exploring Histories and Futures of Innovation in Advanced Wound Care' brings the voices of patients and carers to the forefront of discussions on this issue. This perspective has traditionally been overlooked, with the focus being on the views of acute clinicians. Led by the University of Leeds in collaboration with the NIHR WoundTec Healthcare Technology Cooperative, the research will develop innovations to improve the quality of life of patients suffering from chronic wounds.

AHRC funding is also enabling researchers to work with a range of partners to provide a better understanding of how compassion can play out in healthcare settings. The Leadership Fellowship 'Compassion in Healthcare: Practical Policy for Civic Life' is led by the University of Oxford in partnership with the Royal College of Physicians, Oxford University Hospitals NHS Trust and the Stratification in Colorectal Cancer consortium. The research will have a very real impact on patient care in the UK, where healthcare workers will work alongside researchers to develop a more considered idea of compassion, and put this into practice in their day-to-day work. It is proven that emotional patient care leads to better clinical results, and it is expected that this research will deliver the same outcomes. A further Leadership Fellowship is providing new methods of understanding conflict, enabling those living in conflict to share their stories and knowledge, offering those coming from the outside a fresh perspective. 'Raising Silent Voices: harnessing local knowledge for communities' protection from violence in Myanmar', led by

Leeds Metropolitan University with Nonviolent Peaceforce, and co-funded by ESRC, will have a direct impact on a local community in Myanmar. Thanks to the project, their voices will shape the conflict interventions put in place, ensuring they reflect local culture.

### **Supporting the health of the arts and humanities and national capability: priority areas**

The AHRC has made major progress in its three priority areas of Modern Languages, Heritage and Design over the past year. In addition to appointing three Leadership Fellows in each of the areas, the Council has created advisory groups for the areas of Modern Languages and Design. These are crucial resources for the disciplines; the evidence and insights they provide will drive advocacy and the strategic direction of future AHRC activity, as well as shaping the future of the disciplines more broadly in the UK's research base.

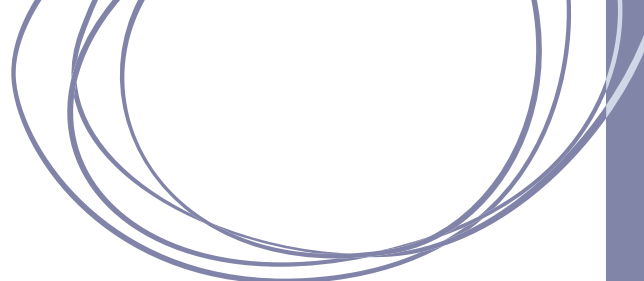
Beyond these appointments, the AHRC's Open World Research Initiative (OWRI) is now underway; the four large grants within the programme began between August and October 2016 and will run for four years. The programme will have a transformational impact on modern languages, with research being carried out in 22 languages and covering 18 academic disciplines. The researchers involved are working with more than 100 partners covering an impressive spectrum, from schools and colleges to the BBC and Government departments.

The Council is drawing on its own expertise in heritage, working with the Swedish National Heritage Board to gather information from the 18 partners involved in the Joint Programming Initiative on Cultural Heritage and Global Change. The findings will demonstrate the value and impact of cultural heritage internationally, feeding into policymaking across Europe and beyond. It is also carrying out scoping work in the field of design, mapping the complex but rich work taking place to shape the AHRC's future strategic direction.

### **Supporting the health of the arts and humanities and national capability: thematic areas**

The AHRC has put in place strategic initiatives to progress and develop the excellent research carried out within its four thematic areas (Digital Transformations, Care for the Future, Translating Cultures and Science in Culture).





It is supporting new impacts and innovations which are emerging from previously funded projects through a Highlight Notice under the Follow-on Fund for Impact and Engagement Scheme, ensuring that long-term impacts from these programmes are realised.

The Council has also created opportunities for research in these areas to tackle new issues through a Global Challenges Research Fund (GCRF) call for international development innovation awards. A joint call with the Care for the Future and Translating Cultures themes, these 13 awards use cutting-edge approaches to address pressing issues for the developing world, ranging from cultural exchange and development assistance to pressures in global mobility.

#### **Supporting the health of the arts and humanities and national capability: cross-Council activity**

The AHRC's work on cross-Council initiatives has developed considerably in 2016-17, particularly in relation to the GCRF. The arts and humanities are very clearly making their mark here, as is demonstrated by their high response to calls and recognition that they have an important role to play. It is clear that a number of the issues facing the developing world need to be tackled from an arts and humanities perspective, and our community has very much risen to this challenge.

In collaboration with the MRC, ESRC and NERC, the AHRC has been developing calls on themes ranging from conflict and international development and understanding the issues facing those who are forcibly displaced (both ESRC), to building resilience to ensure that people are better equipped to manage catastrophic events (NERC and ESRC) and global public health (MRC).

The Council has convened a GCRF advisory group, with representation from the British Council and British Red Cross, whose expertise and strategy will shape AHRC's GCRF calls, ensuring AHRC's GCRF funding will continue its success. The advisory group has been key in shaping the AHRC's Network Plus call, which will be launched next year.

#### **Supporting the health of the arts and humanities and national capability: international activity**

The AHRC has been extremely successful in its

international work this year, securing a further £5.85m of Newton Funding through bids with China, India, Egypt and Turkey. It has also made significant progress with ongoing Newton projects in collaboration with partners in Egypt, India, Brazil, China and Turkey.

The Council has maintained its excellent track record of enabling UK researchers to participate in European projects; 13 of the 17 awards made under HERA's most recent programme, 'Uses of the Past', involve a researcher from the UK and five of them are led by a UK researcher. It is also continuing to work closely with partners in Europe and India (EqUIP) and Europe and the Americas (T-AP) to increase synthesis in the arts and humanities and social sciences priority areas.

#### **Supporting the health of the arts and humanities and national capability: training programmes**

The AHRC's ambitious doctoral training programmes continue to flourish, with the third cohort for its 18 Doctoral Training Partnerships (DTPs) and Centres for Doctoral Training (CDTs) commencing in September 2016, and the recruitment process for the fourth cohort underway. The AHRC has increased its engagement with the student community, now attending more student-led events at each CDT and DTP every year. This is an important step in fostering deeper understanding and awareness between the Council and the students it funds, as demonstrated by the value of the events attended in 2016-17. The Council has also developed new reporting for the CDTs and DTPs which is more in line with the cross-Council template; the first round of this was completed at the end of March 2017. The call for DTP2 was launched in November 2016 following consultation with the community; funding from this call will begin in 2019. Funding has also been agreed for an additional cohort for the Collaborative Doctoral Partnerships, to commence in 2019.

The AHRC continues to provide training for postgraduates and early-career researchers through the International Placement Scheme and programmes aimed at developing knowledge of policy-making. The AHRC's innovative design of these schemes means that early-career researchers are equipped with key skills relating to partnerships and collaboration, whether they are working inside or outside of academia.

### **Advancing knowledge and understanding of the arts and humanities: public engagement**

The AHRC has developed its public engagement strategy activities throughout 2016-17 to make for more efficient and comprehensive media coverage. Through providing more support and guidance to award-holders about publicising their own research and impacts, the AHRC is increasing engagement opportunities for researchers and giving arts and humanities research more prevalence in the public sphere. It is also providing researchers with the skillset required to initiate their own public engagement and media activities.

The Council's own public engagement activities have included launching the 2016 cohort of New Generation Thinkers, an important programme providing the next generation of arts and humanities researchers with experience of engagement with non-academic partners at the outset of their careers. It has strengthened its relationship with its WW1 Engagement Centres, supporting them to work more closely together in order to upscale their own level of engagement and impact.

The AHRC has been extremely successful in its second Research in Film awards, with 20% more entries in 2016 and substantially more media coverage than in the initiative's first year. The Council also ran a workshop with the BBC to inform planning for their Black and British season, and was instrumental in shaping a BBC2 series broadcast as part of this season. The humanities festival, Being Human, supported by AHRC funding since it started, is going from strength to strength. In 2016, its third year, it attracted over 33,000 people, a significant increase from the visitor figure of 18,000 in 2015-16.

### **Advancing knowledge and understanding of the arts and humanities: the Creative economy**

The AHRC has seen major success in its work on the creative economy in 2016-17. It has become a leader in the development of this sector, undertaking crucial scoping studies to assess the landscape and inform the strategic direction to be taken in the future. Creative Fuse North East, which commenced in May 2016, is providing insights into how the Creative, Digital and IT (CDIT) sector in the North East can be developed to better contribute to economic growth and prosperity in the region. The

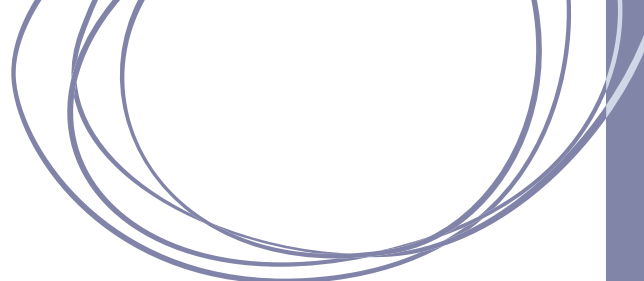
initiative's advisory board, chaired by Ed Vaizey, is shaping the project to reveal the knowledge and resources required by the SMEs working in CDIT to grow, innovate, and reach their full potential. Cutting-edge research commissioned by the AHRC on the ways that the design sector creates economic benefits was completed in November. 'Bath and Bristol by Design' identified the broad range of economic and social values that the sector delivers, making recommendations to encourage further growth and sustain the sector in the South West for policy-makers, practitioners and businesses.

The AHRC's four Knowledge Exchange Hubs for the Creative Economy have delivered their findings and presented their final reports to the Oversight and Development Group this year following their completion at the beginning of 2016. The KE Hubs have been extremely successful, having a major impact on their local areas and local businesses and within their own institutions. Over their four-year programme, they connected over 300 academics with 350 business and 171 third-sector organisations. In March, the AHRC published a report on the findings and impacts of the Hubs, as well as the learning that the AHRC will take forward in its creative economy programmes.

The timing of this report complements the AHRC's appointment of its first Creative Economy Champion, who took up post in January 2017. The Champion, whose post will last for three years, is working alongside the Council's recently convened Creative Economy Advisory Group, comprising representatives from academic institutions, the BBC, the Creative Industries Federation and NESTA. He will be key to supporting the AHRC in sustaining its leadership in the sector and in developing an innovative set of strategies to continue to promote growth throughout all of the UK's regions.

To underpin this work, the AHRC has joined the Creative Industries Federation and is in discussions with the Creative Industries Council, developing approaches to support HEIs in the context of the Industrial Strategy. It is clear that collaboration between HEIs and the Creative Industries is key to success, and the AHRC is driving this forward.





### Advancing knowledge and understanding of the arts and humanities: public policy

The AHRC carried out groundwork for a number of public policy initiatives in 2016-17 which will come to fruition in the coming year and beyond. This work is of crucial importance, highlighting to policy-makers the need to engage with arts and humanities research to create well-informed and rigorous policy and creating opportunities to make this happen.

Working with the ESRC and the Joseph Rowntree Foundation, for example, the AHRC has developed a new UK research centre to inform UK housing policy, to be launched in August 2017. A consortium of nine HEIs and four non-academic organisations, the centre will have staff based in regions across the UK in Glasgow, Sheffield, London, Cardiff and Belfast. Research carried out by the centre will advance knowledge of the housing market and provide robust evidence to inform housing policy and practice across the UK.

The important role played by the arts and humanities in wellbeing is made clear in work carried out by the 'What Works Centre for Wellbeing', the latest addition to the 'What Works Network', launched by the Government to improve public services through evidence-based policy. Working with partners from Public Health England, DCMS, Arts Council England, the Heritage Lottery Fund and English Heritage, the centre is delivering on an ambitious evidence plan to establish the best approaches to wellbeing.

The AHRC has worked directly with policy-makers advancing its objective of bringing researchers and policy-makers together by convening two academic roundtables. Held in November 2016 and February 2017, the roundtables were attended and very well received by the BEIS Secretary of State, Greg Clark. The AHRC has also drawn on its past public policy initiatives to publicise best practice and guidance to make for successful collaboration between research and public policy. 'Creating Living Knowledge', the final report from the AHRC-led cross-Council theme Connected Communities makes recommendations to shape future strategies on funding, conducting and sustaining high-quality research collaborations between academics and civil society in the arts, humanities and social sciences.

### Advancing knowledge and understanding of the arts and humanities: understanding the sector

The AHRC's work on methodologies to measure the value of its research, and of the arts and cultural sectors more broadly, is developing at a fast pace. Through working with other partners in the sector and developing its own cutting-edge and innovative approaches, the AHRC is a key player in tackling the challenges surrounding this issue. Following its publication at the end of the last financial period, the final report for the AHRC's Cultural Value Project was launched in April 2016, accompanied by an evidence briefing aimed at policy-makers. The report has been well received nationally and internationally and has garnered interest from policy-makers and policy influencers. The project's findings are a crucial resource for this sector, identifying the main components of culture and appropriate methodologies for measuring them. It has sparked considerable discussion among stakeholders about innovative and pragmatic ways in which this can be taken forward to gain a better understanding of the importance of arts and culture. In October 2016, the AHRC with the Paul Hamlyn Foundation and King's College London, working in partnership with Arts Council England, launched a scoping project to build on the key recommendations made by the AHRC Cultural Value Project Report.

The Council has also been working on taxonomies for disciplines within its remit, which will feed into broader analysis and horizon-scanning projects. It has been developing its own analysis function, including a subscription with UberDimensions for their analytical tools and access to other funders' data. It has also implemented visualisation software Tableau, enabling the AHRC's trends and outputs to be showcased internally and externally. The Council is in a stronger position as a result of putting these in place, now able to access and analyse data more effectively and efficiently. The Council's innovative approach to analysis has also been of significant interest to other funders and stakeholders, as is demonstrated by the use of the AHRC model in the design of other organisations' systems.

# Performance Analysis

## Financial performance

The AHRC's source of financing is through Grant-in-Aid from BEIS, which is based on the annual allocation (outlined in the table below). Income contributions are derived from arrangements with third parties both within and external to central Government.

Grant-in-Aid received from BEIS for 2016-17 was £104.4m compared to £101.9m for 2015-16. This represents an increase of 2.5%. The majority of the increase is related to the Global Challenges Research Fund (GCRF).

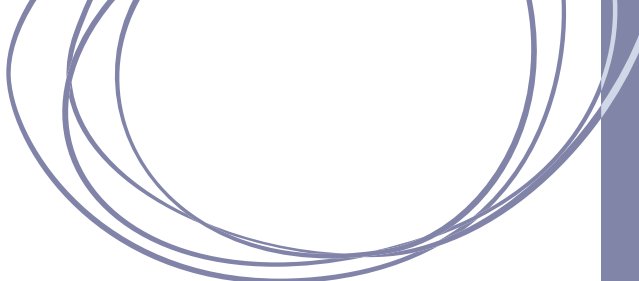
The accounts for the year ended 31 March 2017 recorded net expenditure of £107m compared with £102.9m for 2015-16, which is an overall increase of 4% and consistent with the overall reduction in funding from BEIS.

Expenditure on Research, Postgraduates and Fellowships equates to 97% of the AHRC's total expenditure. The ratio of postgraduate to research spend has also been maintained against that of the preceding year.

The AHRC continues to make efforts to minimise back-office costs while at the same time ensuring that the provision of front-line research services is maintained.

Outturn £000	Total
Allocation	104,383
Outturn	106,077
<b>In-year Overspend</b>	<b>1,694</b>
<b>Reconciliation of Net Resource Expenditure Between Allocation, Outturn and Accounts</b>	
<b>BEIS Allocation</b>	
Administration	3,353
Programmes	96,030
GCRF	5,000
<b>Sub-total Allocation</b>	<b>104,383</b>
Administration Expenditure	4,213
Programmes Expenditure	96,388
Capital Expenditure	161
GCRF	5,283
Depreciation Expenditure	32
<b>Actual Expenditure</b>	<b>106,077</b>
Capital Additions	(7)
Provision Payments	(18)
SBS Notional Charges	978
<b>Total Comprehensive Net Expenditure</b>	<b>107,030</b>

The Outturn section of the table above illustrates the distribution of expenditure against allocation in respect of resources and capital. Overall, the AHRC has a total overspend of £1,694k made up of Resource (£1,533k) and Capital (£161k). The second half of the table analyses the allocation and actual expenditure in greater detail, which is reconciled to the financial statements.



## Financial Position

As at 31 March 2017, non-current assets had a carrying value of £0.045m (31 March 2016 £0.07m) the reduction largely consisted of the annual depreciation and amortisation charges, which are outlined within the financial statements (pages 46-49).

As at 31 March 2017 the value of current assets was £15.7m, which is in line with the preceding year.

Current liabilities have increased from £6.0m to £7.8m, representing a 30% increase. Movement in non-current liabilities is due to the utilisation of the provision held.

## Comprehensive Spending Review Allocations

	2011-12 £000	2012-13 £000	2013-14 £000	2014-15 £000	2015-16 £000	2016-17 £000
Programme Resource	100,858	98,498	98,370	98,370	98,287	101,030
Administration Resource	5,960	5,547	4,084	3,911	3,607	3,353
<b>Sub-total Resource</b>	<b>106,818</b>	<b>104,045</b>	<b>102,454</b>	<b>102,281</b>	<b>101,894</b>	<b>104,383</b>
Programme Non-cash	-	-	-	-	-	-
Administration Non-cash	256	297	221	204	208	32
<b>Sub-total Non-cash</b>	<b>256</b>	<b>297</b>	<b>221</b>	<b>204</b>	<b>208</b>	<b>32</b>
<b>Total Resource Del</b>	<b>107,074</b>	<b>104,342</b>	<b>102,675</b>	<b>102,485</b>	<b>102,102</b>	<b>104,415</b>
Capital Allocation	1,000	-	4,600	5,000	-	-
<b>Total Capital Del</b>	<b>1,000</b>	<b>-</b>	<b>4,600</b>	<b>5,000</b>	<b>-</b>	<b>-</b>
<b>Total AHRC Del</b>	<b>108,074</b>	<b>104,342</b>	<b>107,275</b>	<b>107,485</b>	<b>102,102</b>	<b>104,415</b>

## Long-term expenditure trends

The graphs highlighted in this section provide a visual representation of the critical areas that drive the performance of the AHRC.

With Grant-in-Aid being determined by our sponsoring department it is vital that the programme allocation element is utilised in the most effective way to ensure that our medium and long-term objectives are continually met.

Constraints in the administrative allocation element over the last few years have meant that it has become increasingly important to maintain high-quality back-office services in the most efficient way possible.

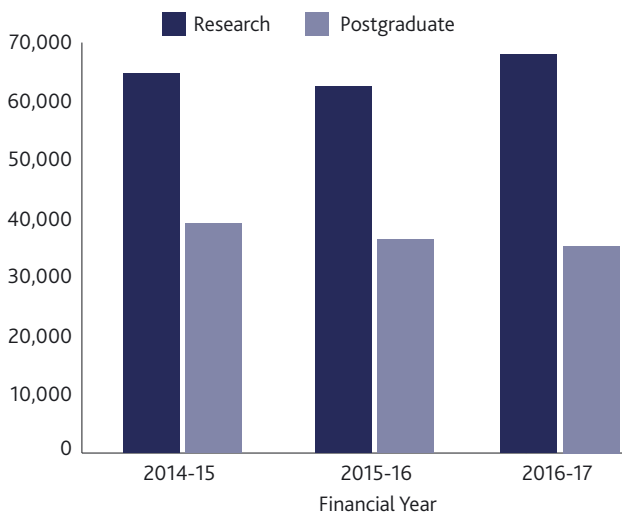
## Research

Research expenditure has increased by £5.5m from 2015-16. The main reason for the increase in expenditure relates to the Global Challenges Research Fund.

## Postgraduate

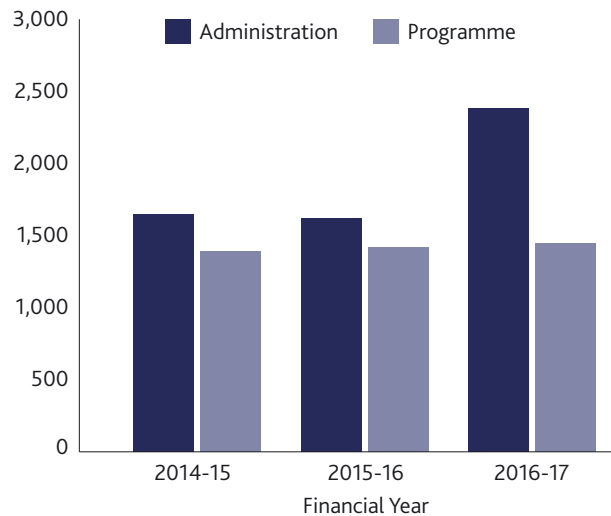
Overall Postgraduate expenditure has reduced by £1.2m compared to the previous financial year. The Block Grant Partnership 2012 grant scheme came to an end in October 2016, which is the main cause of the decrease.

### Research and Development (£000)



The graph above shows the AHRC's Programme expenditure split by Research and Postgraduate over the last three financial years. Programme expenditure for 2016-17 has increased by £2.5m compared to the previous financial year. The AHRC is heavily reliant on Grant-in-Aid received from BEIS to fund Research/Postgraduate awards, as this is the AHRC's main source of income.

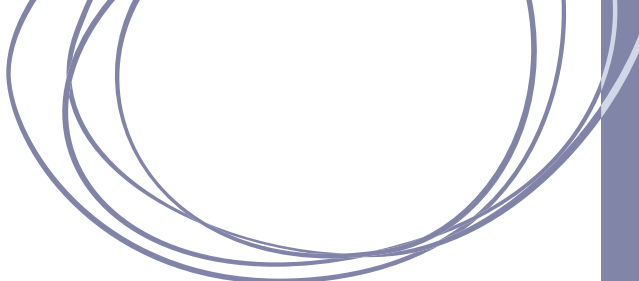
### Staff Costs (£000)



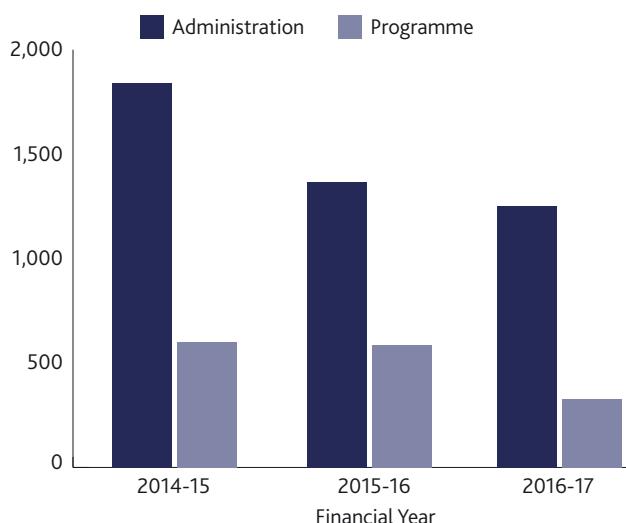
The graph above shows AHRC staff costs split by Administration and Programme over the last three financial years, excluding the PSU.

Administration costs significantly increased during 2016-17 due to the AHRC's contingent liability relating to the USS pension scheme crystallising.

Programme salary costs have averaged £1.3m over the last three years.



### Purchase of Goods and Services (£000)



The graph above shows other costs split by Administration and Programme.

Programme support costs have reduced by £259k in 2016-17 compared to the prior financial year. Austerity measures have meant that the AHRC has had to use its back office resources more efficiently. The PSU is also seeing cost savings as it continues to work in a collective and harmonised way.

### Creditors' payment policy

The AHRC follows 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 2016-17 an average of 81% of payments were made within five days (2015-16 87%).

### 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 22.

### Environmental policy

The Natural Environment Research Council (NERC) has developed a cross-Council Environment Policy, which is supported by the AHRC, which continues to work with other Research Councils and tenants of Polaris House, Swindon in ensuring that the building's impact on the environment is as limited as possible. Currently 87% 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.

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

**Professor Andrew Thompson**  
Chief Executive, AHRC  
22 June 2017

# Accountability Report

Corporate Governance Report

Governance Statement

Remuneration and Staff Report

Parliamentary Accountability and Audit Report



# Corporate Governance Report

## Directors' Report

### Governance

The AHRC is an independent non-departmental public body of the Department for Business, Energy & Industrial Strategy (BEIS), established by Royal Charter. The AHRC's working relationship and lines of accountability with its sponsor Department, BEIS, are defined through both a Management Statement and a Financial Memorandum, which are subject to periodic review. The AHRC's Chief Executive, in his role as Accounting Officer, is accountable to the public via Parliament.

### Council and Management Board

The membership of the AHRC Council and main advisory boards are listed on page 20. Council members' remuneration is listed in the Remuneration Report (page 33) along with their remuneration for 2016-17. The chairman of AHRC Council is Professor Sir Drummond Bone and the Chief Executive Officer/Accounting Officer is Professor Andrew Thompson (seconded from the University of Exeter).

### Council

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

It is also responsible for ensuring that the AHRC complies with requirements contained in the Management Statement and the Financial Memorandum, which set out the relationship between the Research Council and BEIS. 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 BEIS.

Members of Council, including the Chair and Chief Executive, are appointed by BEIS. Professor Sir Drummond Bone is the Chairman and Professor Andrew Thompson

(seconded from the University of Exeter), the AHRC Chief Executive/Accounting Officer. 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 BEIS attends Council meetings as the representative of the Secretary of State for BEIS.

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 the 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)

## Committee members

### Council Members

**Professor Andrew Thompson** (Seconded from the University of Exeter) Chief Executive/Accounting Officer

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

**Professor Svenja Adolphs** (University of Nottingham)

**Miss Deborah Bull** (Kings College London)

**Ms Jan Dalley** (Financial Times)

**Mr Robert Dufton** (University of Sheffield until Jan 17, then appointed to be CEO of Moorfields Eye Charity)

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

**Ms Julia Grant** (Impetus Private Equity Foundation)

**Professor Simon Goldhill** (University of Cambridge)

**Professor Tom Inns** (Glasgow School of Art)

**Mr Anthony Lilley** (Magic Lantern Productions)

**Professor Fiona Macpherson** (University of Glasgow)

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

**Mr Trevor Spires** (Retired, previously served as Rear Admiral, Royal Navy)

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

**Ms Lucy Winskell** (Northumbria University)

### Audit Committee

**Mr Trevor Spires** (Retired, previously served as Rear Admiral, Royal Navy) Chair

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

**Ms Jan Dalley** (Financial Times)

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

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

### Remuneration Committee

**Professor Sir Drummond Bone** (University of Oxford) Chair

**Ms Jan Dalley** (Financial Times)

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

**Professor Andrew Thompson** (Seconded from the University of Exeter) Chief Executive/Accounting Officer

### Advisory Board

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

**Ms Rebecca Bailey** (Historic Environment Scotland)

**Mr Dominic Gray** (Opera North)

**Professor Barry Godfrey** (University of Liverpool)

**Professor Lin Foxhall** (University of Liverpool)

**Professor Stephen Hoskins** (University of the West of England)

**Professor Karen Lury** (University of Glasgow)

**Ms Laura Sillars** (Site Gallery, Sheffield)

**Professor Matthew Hilton** (Queen Mary University of London)

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

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

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

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





## Statement of Accounting Officer's Responsibility

Under the Higher Education Act 2004, the Secretary of State with the consent of HM Treasury has directed the AHRC 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 AHRC and its net 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 ([www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/577272/2016-17\\_Government\\_Financial\\_Reporting\\_Manual.pdf](http://www.gov.uk/government/uploads/system/uploads/attachment_data/file/577272/2016-17_Government_Financial_Reporting_Manual.pdf)) and in particular to:

- observe the Accounts Direction issued by the Secretary of State including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgments 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, unless it is inappropriate to presume that the Council will continue to operate.

The Department for Business, Energy & Industrial Strategy has appointed the Chief Executive as Accounting Officer of the AHRC. 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 AHRC assets, are set out in the NDPB Accounting Officers' Memorandum issued by HM Treasury and published in 'Managing Public Money'.

As far as the Accounting Officer is aware, there is no relevant audit information of which the entity's auditors are unaware. The Accounting Officer has taken all the steps that ought to have been taken to be made aware of any relevant audit information and to establish that the entity's auditors are aware of that information.

The Annual Report and Accounts as a whole is fair, balanced and understandable and the Accounting Officer takes personal responsibility for the Annual Report and Accounts and the judgments required for determining that it is fair, balanced and understandable.

# Governance Statement

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

## Scope of Responsibility

During 2016-17 I have performed the duties of the AHRC Chief Executive and Accounting Officer and in March BEIS confirmed my appointment as the AHRC Chief Executive (CEO) following a period as Interim CEO. As Accounting Officer, I have personal responsibility for maintaining a sound system of governance and internal control, which supports the achievement of the 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 the AHRC and its sponsoring department, the Department for Business, Energy & Industrial Strategy (BEIS). 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 and external audit;
- Work undertaken to evaluate funding assurance on research investments;
- Assurance letters received from UK SBS;
- The assessments of individual directors as covered in their stewardship reports.

## Governance Framework

The AHRC is governed by its Council which establishes and agrees the overall corporate strategy, key strategic objectives and deliverables of the 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 the AHRC, ensuring that appropriate action is taken to address any concerns identified, thus

ensuring the good financial management of the AHRC. The Council also monitors all high risks alongside the AHRC's overall risk profile.

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 the AHRC. The responsibility for the delivery of key strategy is delegated to me as the Chief Executive.

In 2016-17 the Council met four times and amongst the issues discussed were:

- The transition to and impact of UK Research and Innovation, including the impact on the AHRC's own governance arrangements through general discussion and individual meetings between each member, myself and the Chair of Council.
- Consideration and approval of annual budget, including;
  - review of quarterly management accounts and forecasts.
- Monitoring Risk and Assurance reports from the Audit Committee, including;
  - reviewing the AHRC's risk profile
  - monitoring the performance of UK SBS
  - reviewing Internal Audit outputs.
- Quarterly reports from the Advisory Board;
- An update on priorities and future plans, including;
  - the Government's Industrial Strategy and Industrial Strategy Challenge Fund (ISCF)
  - priorities for and engagement with the Global Challenges Research Fund (GCRF)
  - Postgraduate Training strategy and the next phase of Doctoral Training Partnerships (DTP2)
  - the Creative Economy strategy.
- The Higher Education Research Bill.
- Impact of the EU Referendum result.

Council members are recruited through advertisements in the national press, with oversight provided by the Office of the Commissioner for Public Appointments. Final appointments are subject to Ministerial approval.



Members of Council and the AHRC's committees are listed on page 20.

A review of Council's effectiveness covering 2015-16 took place in March 2016 and was reviewed in April 2016. Due to this review and the impending transition to UK Research and Innovation (UKRI), we have not undertaken a formal review covering 2016-17. It is anticipated that as part of the transition to UKRI, lessons learned and best practice from the current model will be given due consideration in formulating and establishing a new Council.

The Audit Committee, which includes independent members in addition to Council members, met four times during the year. Members are appointed by the AHRC.

The Audit Committee provides assurance to Council and me, as Accounting Officer, by reviewing the adequacy and effectiveness of the 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 also supports discussion at Council through updates and briefings from the Chair of Audit Committee, who is a member of Council.

As the Committee undertook a self-evaluation review in 2015-16 no review has taken place during 2016-17. The next review is due in 2017-18 and it is anticipated that as part of the transition to UKRI the review will focus on lessons learned.

The attendance of members at Council and the Audit Committee, for which they were eligible to attend, can be found in the table below.

The Remuneration Committee is chaired by the Chair of Council and comprises two further members of Council and myself as CEO, with the Head of HR in attendance. It is responsible for advising the Council on matters relating to the remuneration of Directors.

The Advisory Board, comprising a number of senior academic researchers and non-academic members, advises

<b>Name</b>	<b>Attendance at Council</b>	<b>Attendance at Audit Committee</b>
Professor Svenja Adolphs	4 out of 4	
Professor Sir Drummond Bone	4 out of 4	
Professor Mike Braddick		2 out of 4
Ms Deborah Bull	2 out of 4	
Ms Jan Dalley	4 out of 4	2 out of 4
Mr Robert Dufton	4 out of 4	
Professor Sir David Eastwood	4 out of 4	
Professor Simon Goldhill	4 out of 4	
Ms Julia Grant	2 out of 4	
Professor Tom Inns	3 out of 4	
Mr Anthony Lilley	4 out of 4	
Dr Catherine Martin		3 out of 4
Professor Fiona Macpherson	3 out of 4	
Professor Bernard Silverman	2 out of 4	
Mr Trevor Spires (AC Chair)	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
Ms Lucy Winskell	4 out of 4	

Council on the development and implementation of the AHRC strategy monitors outcomes from the AHRC's funding portfolio and acts as a quality assurance body to oversee the procedures regulating the Peer Review College.

The Senior Management Team (SMT) is the Executive body for the AHRC and comprises myself as Chief Executive, Directors and Associate Directors. It meets weekly.

The Risk Management Committee (RMC) comprises AHRC staff representatives from across the organisation. It reports to SMT and meets quarterly to identify and review the AHRC's risk landscape and the potential impact on the AHRC's plans and objectives.

The AHRC continues to comply with the policies set out in the Cabinet Office 'Principles of Good Corporate Governance in Executive Non-Departmental Public Bodies'.

## Risk Management

### a. Approach to Risk Management

A harmonised risk management policy operates within the AHRC, EPSRC and ESRC (the PSU Councils). This is based on the guiding principles of managing risk within the public sector, representing best practice whilst being proportionate to the level of risk exposure and risk appetite within the Professional Support Unit (PSU) Councils.

The AHRC's 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 such as major museums. Some research, by its pioneering and innovative nature, carries risk, but we have a very low risk appetite in terms of the way we conduct our business. We work only with eligible research organisations 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).

The 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 reviewed by the Audit Committee and Council at each meeting, who pay particular attention to those highlighted as significant high-level risks. It is through this process that the AHRC manages the key headline risks that could impact on the delivery of the AHRC's programmes and operations and enables mitigating actions to be agreed and implemented.

Overall, I am satisfied that, with effective input from the Audit Committee and Council, risk is being managed effectively within the AHRC.

### b. Significant risks in 2016-17 and key mitigations

This section covers the most significant risks faced in 2016-17 and the key mitigations in place. These risks are either of a long-term, ongoing nature and require continued risk management or have yet to be managed down sufficiently.

#### ● UK Shared Business Service (UK SBS)

The uncertain future of UK SBS and their ability to continue to maintain service delivery during this period of change is a risk that requires constant review and management. This coupled with the ongoing issues regarding the stability, security and resilience of the 12.0.6 Oracle E-Business platform makes this a high-level risk which if unaddressed may result in severe issues impacting on the AHRC's ability to conduct its core business. The AHRC has continued to manage this risk throughout 2016-17 through engagement with UK SBS at different levels and across various groups. These and other issues are covered below in the UK SBS Assurance section.

#### ● Higher Education and Research Bill & Transition to UKRI

The ability of the AHRC to continue to deliver on its aims and objectives must be seen in the context of the wider change agenda faced by all Research Councils, with the most significant of these being the impact of the Higher Education and Research Bill which received Royal Assent on 22 April 2017. The Act provides the necessary legislation to create a new organisation called UK Research and Innovation (UKRI), which will incorporate the functions of all seven Research Councils, Innovate UK and HEFCE's research and knowledge exchange functions.



The anticipated creation of UKRI on 1 April 2018 will present significant challenges to all Research Councils. The AHRC has been fully engaged in the process and is working collaboratively with BEIS to identify and actively mitigate any risks. As the Bill passed through the Parliamentary approval process, the Research Councils continued to push forward the RCUK Change Programme and the subsequent UKRI Transition Programme during 2016-17, which is covered in more detail later. The uncertainty and the required level of engagement is creating increasing demands on staff at all grades and affecting staff morale. The challenge of maintaining business as usual alongside playing a meaningful role in the transition to UKRI is creating pressures within the AHRC which require careful monitoring.

Any delays to UKRI's ability to make decisions will create additional uncertainty that has the potential to impact on the effective governance of the Research Councils and UKRI towards the end of 2017-18 and moving into 2018-19.

The AHRC continues to be fully engaged in the UKRI Transition Programme at both strategic and operational levels and will continue to influence the agenda where possible. The Senior Management Team is however carefully monitoring the impact on the AHRC's resources and will be seeking to strengthen capacity and resilience where appropriate.

- **Brexit**

The result of the EU Referendum has created uncertainty around the role of the UK in European collaborative research initiatives supported by the EU, future availability of EU funding for collaborative arts and humanities research involving the UK and the wider impacts on the research and Higher Education ecosystem. The AHRC currently plays a leading role in a number of European initiatives, such as the Humanities in European Research Area (HERA) and the Joint Programming Initiative (JPI) on Cultural Heritage and Global Change, where UK arts and humanities researchers play a key role in a large number of projects, as well as participating in interdisciplinary initiatives such as the JPI on Urban Europe. In the light of advice from BEIS, and in order to retain UK leadership, influence and collaborative

opportunities, the AHRC is continuing to engage fully in the development of these initiatives, despite the uncertainties which surround the UK's future role in them post-Brexit. This creates risks for the AHRC as current planning for future calls and the AHRC's commitments relating to these initiatives extend well beyond the expected timetable for Brexit.

This risk is currently being managed at a cross-Council level through the creation of the RCUK Brexit Co-ordination Network. The AHRC has representation on this group which enables the AHRC position to be voiced and the collective position to be considered by the AHRC Senior Management Team.

- **Cyber Security**

The cyber security threat is severe, increasing and requires constant monitoring and vigilance. Firewall and anti-spam processes are in place, which provide us with some confidence in the integrity of our infrastructure. The PSU Information Systems team are committed to assessing controls and establishing compliance with the Cyber Security Essentials scheme and the Cyber Security Ten Steps. Penetration test audit findings and lessons learnt from security incidents are responded to in a timely manner leading to improvements in our security controls.

## Efficiency

### a. Efficiency Programme

From 2011 to 2016 the Research Councils implemented an efficiency programme to drive down the costs and overheads associated with research. The efficiency savings derived from this programme were 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 were applied to both research grants and fellowships awarded via competitive routes to research organisations and also to Research Council institutes.

The efficiency programme ended in March 2016 and during its five years achieved savings of £545m, exceeding the

planned target. This figure will rise to over £610m over the next few years as the ongoing contributions from the efficiency savings deducted at source from grants awarded during this period are included.

Further details of the efficiency programme, including the final report, can be found at [www.rcuk.ac.uk/research/efficiency/efficiency2011](http://www.rcuk.ac.uk/research/efficiency/efficiency2011) and [www.rcuk.ac.uk/Publications/policy/Efficiency2011](http://www.rcuk.ac.uk/Publications/policy/Efficiency2011)

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 use of asset registers.

#### **b. UK Research and Innovation Transition Programme**

On 27 April 2017, the Higher Education and Research Bill (HERB) received Royal Assent and became an Act which will result in the creation of UKRI. In February 2017 Sir Mark Walport was appointed as the Chief Executive designate of UKRI.

BEIS have been leading the UKRI Implementation Programme with the Research Councils working directly on the following work streams:

- People and HR;
- Finance, Governance and Assurance;
- Legal;
- Procurement.

Following the BEIS decision in October 2016 to revise their business case on common technology the Research Councils elected to restart the RCUK Business Digital and Technology Project focusing on the next 18 months' requirements.

In December 2016 BEIS took the decision to put their remaining Digital programmes on hold (Grants and HR/ Finance system replacement), and to maintain UK SBS as a shared service provider through to 2019-20. The Research Councils therefore agreed in February 2017 to start the requirements phase for HR and Finance service and for a Grants service working closely with the UKRI Transition Programme and with work to secure and upgrade current UK SBS systems.

Also, 2016-17 saw the moves into Polaris House of Innovate UK and UK SBS as part of the Office Estates change project led by the cross-Council Campus Oversight Board.

A Change Assurance Board was established in April 2016 with membership drawn from the Chairs of Audit Committees of the Research Councils. This Board has provided advice throughout the changes described above.

#### **c. Professional Support Unit (PSU)**

The PSU, hosted by the AHRC, provides professional services to the AHRC, EPSRC and ESRC (the PSU Councils) in: Finance; Human Resources; Information Technology (it also hosts services on behalf of non-PSU Councils); Project Management and Reprographics. The Head of PSU received the appropriate 2016-17 delegations from the PSU Councils which allowed the services to be delivered.

During 2016-17 the Head of PSU attended the Audit Committee and SMT, which allowed governance issues to be discussed and challenged. The PSU is overseen by a Management Board comprising the Chief Executive Officers and a Director from each of the PSU Councils, which meets quarterly. The Management Board received regular reports and an annual report from the Head of PSU, which provided assurance on the level of service being delivered, the financial position and the risks being managed.

The Head of PSU also produced an Annual Assurance Statement covering 2016-17. The statement provided assurance to the CEOs that the PSU had in place appropriate systems and controls to support the services being delivered.

The PSU recognises that future developments in respect of the RCUK Change Programme and the creation of UKRI will impact on its future. These are reflected in the PSU Risk Register with the Head of PSU actively involved in the wider Research Council discussions. The PSU is also wholly engaged in the RCUK Change Programme and the transition to UKRI with staff fully contributing to the work streams. The PSU Project Office is also providing a significant amount of support to the various working groups that have been created. PSU has continued to provide support to the AHRC however, with the increasing pressures on PSU staff and with staff seeking opportunities





within the UKRI Transition project, the resilience of PSU service delivery will be tested. The position is being carefully monitored by the Head of PSU and the PSU Senior Management Team with regular reporting to the PSU Management Committee. Appropriate measures will be put in place to ensure that PSU continues to provide the required level of service.

## Other key governance activities

### a. Pay Remit

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

### b. Information Management

The PSU Information Management Team is responsible for:

- Records Management
- Freedom of Information
- Data Protection
- Information Security.

This service is provided for the AHRC alongside the other PSU Councils providing a common approach and a body of expertise.

The AHRC has in place a system of control for Information Risk, which is reflected in the annual Information Security Health Check submitted to BEIS. The Health Check requires organisations to have plans in place to deliver full compliance with mandatory security outcomes. Internal Audit reviewed the health checks of all Research Councils prior to submission to BEIS and were satisfied that the appropriate plans were in place.

The AHRC is committed to safeguarding information and personal data and continues to work with its key service providers to improve resilience and protect its information assets from cyber threats.

In 2016-17, there were no significant incidents where a lapse in the security of personal data resulted in the need to report an incident to the Information Commissioner's Office.

During the year all AHRC staff carried out Information Security training appropriate to their level of responsibility via an e-learning package. This is also considered to be an

important tool to raise the awareness of staff regarding threats to cyber security.

### c. Health and Safety

PSU have produced a Health and Safety report for 2016-17 which was presented to the PSU Management Committee and raised no issues which need to be reported in this statement.

### d. Transparency

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

- AHRC organisation structure
- Salary bands and senior posts
- Credit card transactions
- All expenditure.

### e. Ministerial Directions

There were no Ministerial Directions given in 2016-17.

### f. 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 can be demonstrated in the tax arrangements of senior public appointees. I can confirm that all of the AHRC's Directors 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 2016-17 the AHRC identified three 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.

Exeter University, as my employer, has invoiced the AHRC for my time in undertaking my role as interim CEO. The payment includes employer National Insurance and pension contributions as well as VAT. There have been no

other appointments requiring the 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 with income tax and employee National Insurance Contributions deducted at source through the payroll.

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

#### **g. 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 this review and the BEIS requirements the AHRC has reviewed its use of analytical modelling in 2016-17 and has not identified any that were considered to be business-critical.

#### **h. Austerity Measures**

The AHRC has robust control processes, checks and reporting arrangements in place to review and manage expenditure in keeping with the austerity measures introduced by the Government in May 2010. This includes all expenditure being approved through a formal process of delegated authority and monthly reporting to budget-holders.

#### **i. Regularity and Propriety**

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

The AHRC follows the harmonised Counter Fraud & Bribery policy which is subject to annual review by the PSU Head of Risk & Governance. All staff are reminded of the policy on an annual basis, which is available through the PSU portal, thus ensuring that there is an awareness of their responsibilities to report fraud and the process by which to do so. Staff are also required to undertake annual E-Learning awareness training covering counter fraud and bribery and in 2016-17 this was completed by all staff.

The Research Councils have representation on the BEIS Counter Fraud Working Group and the Cabinet Office Fraud Network where best practice is shared and current fraud issues discussed.

Consistent with the other Research Councils the AHRC has established a harmonised Whistleblowing Policy. This encourages and enables employees to speak out when they encounter or suspect malpractice. It guarantees whistle-blowers protection consistent with the Public Interest Disclosure Act and facilitates whistleblowing through a number of routes.

I can confirm that for 2016-17:

- Neither I nor my staff authorised any 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 BEIS or Treasury approval
- There were no cases of whistleblowing
- There were no instances of fraud identified within the AHRC or within UK SBS, which impacted on the AHRC.

### **Review of Effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of governance, risk management and other internal controls at the AHRC to ensure that a sound system of internal control is being maintained. In 2016-17 this review has been informed by the work of the AHRC's Directors and Audit Committee, by the work of internal audit, and by the work of external auditors and cross-Council assurance programmes. The conclusion of my review is covered below.

#### **a. AHRC Directors**

The AHRC's Directors produce quarterly reports on their stewardship and management of internal control within their areas of responsibility. The main issues raised were as follows:

- The uncertainties and opportunities created by the Higher Education Research Bill;
- The impact on staffing of the RCUK Change Programme and the transition to UKRI as already covered under the risk management section;



- The challenges faced in relation to the RCUK and wider BEIS Change Programme;
- The uncertainties created by the future of UK SBS;
- The fragility of the existing ORACLE platform and the need for a robust and tested disaster recovery plan;
- The need to develop an integrated Funding Assurance package for 2016-17 and beyond, as covered later in this statement;
- The challenges created by the EU Referendum decision;
- The increased threats to cyber security.

These issues are either already reflected in the AHRC corporate risk register or regularly reviewed as emerging risks and will therefore be managed through the existing risk management process. I am content that the 2016-17 reports provided me with reasonable assurance that a sound internal control framework is in place. The position will require constant vigilance during 2017-18 as the Research Councils transition towards UKRI.

#### **b. 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 no major issues of concern have been raised with me by the committee which require disclosure here.

#### **c. Internal Audit**

Internal Audit is provided by the Government Internal Audit Agency (GIAA) which, from October 2016, subsumed the Councils' own Audit and Assurance Services Group (AASG). The Head of Internal Audit is required to provide me with an opinion on the overall adequacy and effectiveness of the 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 AHRC involvement.

In 2016-17, based on the audit work covered below, AASG was able to provide the AHRC with an overall Moderate Level of assurance (Assurance Levels: Substantial; Moderate; Limited; Unsatisfactory) on the adequacy

and effectiveness of the AHRC's internal controls, risk management and governance processes.

During the year a number of audits and pieces of assurance work were undertaken within the two areas of core and cross-Council activity. The implementation of recommendations that relate specifically to the AHRC is monitored by PSU with progress reports presented at each Audit Committee meeting.

#### ● **Core AHRC Audits**

The Core audits undertaken in 2016-17 were:

- Budget Management and Commitment Forecasting – Moderate Assurance;
- Advisory Structure – Moderate Assurance;
- PSU – Embedding Cyber Security – Moderate Assurance;
- PSU – Risk Management and Assurance Mapping – Moderate Assurance;
- PSU – Information Management – Limited Assurance;
- Follow-up of Audit Recommendations.

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

#### ● **Cross-Council Audits**

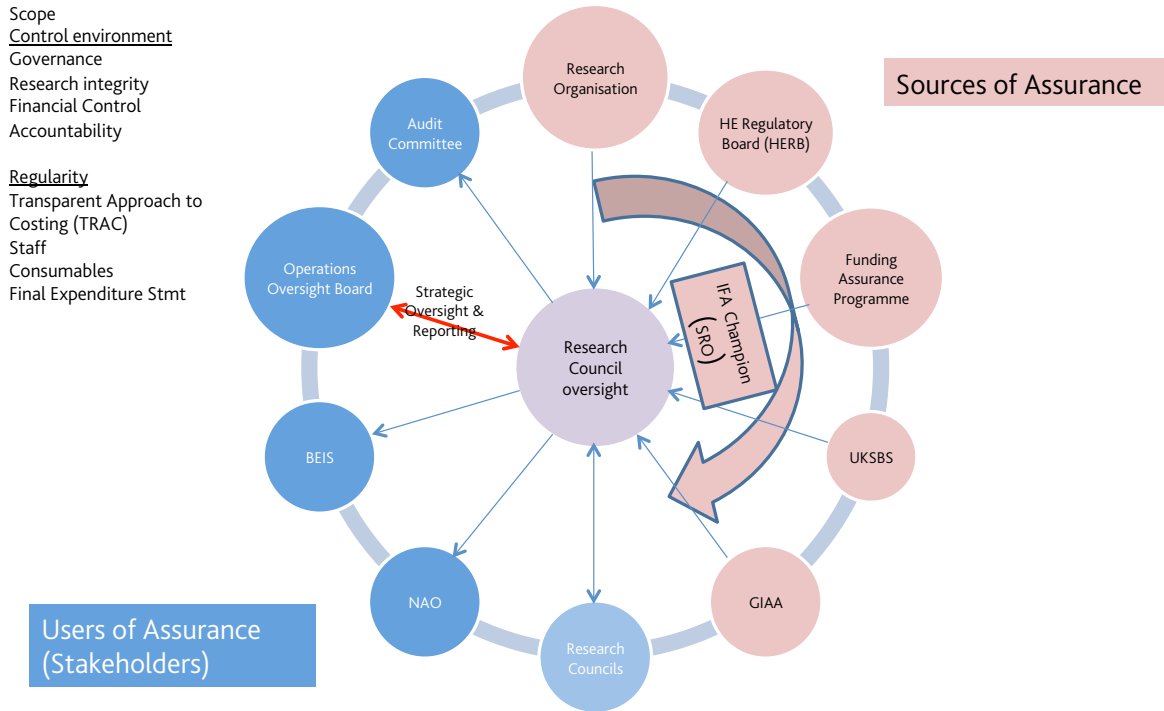
In 2016-17, GIAA carried out 26 cross-Council audits that were relevant to the AHRC.

The following audits received Limited Assurance and where appropriate the AHRC will engage with the Research Councils to ensure that the issues raised are fully addressed:

- Change Management: RCUK Change Programme;
- Change Management: RCUK Communication and Public Engagement;
- Open Access Block Grant;
- Procurement.

Where recommendations relate specifically to the AHRC their implementation is closely monitored by PSU. The implementation of recommendations of a cross-Council nature is monitored through the cross-Council Governance, Risk, Assurance & Improvement Network or through the appropriate functional governance group within the Councils.

**Figure 1: IFA Framework**



**d. Funding Assurance**

During the year a Funding Assurance Working Group (FAWG) was set up to review the funding assurance framework and a revised Integrated Funding Assurance (IFA) framework has been implemented. This framework is predicated on establishing appropriate accountability within the RO in receipt of funding and collating assurance from a range of sources shown in Figure 1 above.

Across the RCUK community research funding totals £2.9bn of which £103m relates to AHRC. The funding landscape has two major funding streams.

**SIEBEL Grants**

These are grants administered through the Research Councils’ automated grant management system (SIEBEL) and awarded to eligible research organisations (ROs). For AHRC these grants amount to £100.9m.

The assurance provided through the above framework indicates a very low level of current and historic errors for all Councils. This is supported by the report from the Head of Funding Assurance which provides Moderate Assurance based upon the programme of work undertaken.

Looking ahead, grants to overseas organisations as part of Official Development Assistance, the Global Challenges Research Fund and the Newton Fund will increase and have the potential to become a significant part of the Research Councils’ expenditure. A sub-group of FAWG is reviewing all aspects of international funding and sub-contracting.

In addition, in December 2016 the Cabinet Office launched a set of Minimum Grant Standards to promote effective grant-making, with 2017 being a pilot year to embed the standards. The Research Councils have mapped the standards against current policies and procedures and have demonstrated compliance with the required standards.

**Non-SIEBEL awards/funding**

The grants which do not pass through SIEBEL, including Strategic Partnerships, amount to £2.4m for the AHRC.

Collaborative research to BEIS and BEIS Partner Organisations represents the major part of AHRC non-SIEBEL funding (£1.5m) and these organisations already have a well-managed control and audit regime in accordance with *Managing Public Money*. No issues were identified in 2016-17.



The remaining areas include the AHRC's contribution to Humanities in the European Research Area (£0.9m) and individual subscriptions, which are covered by specific conditions and agreements. No issues were identified in 2016-17.

### Summary

The assurance provided through the above framework indicates a number of funding pressures and the nature of some activities are complex. I am however assured through the mechanisms described here that they are being managed in an appropriate manner and that there are no major issues that require disclosure here.

#### e. UK SBS Assurance

UK SBS provides processing services in human resources, procurement, payroll, finance and IT to all seven Research Councils. UK SBS did provide processing services in grants up until 31 December 2016 at which point these were transferred back to the Research Councils.

The Executive Director of UK SBS has written to me stating that the Head of Internal Audit has provided an opinion of Amber Assurance for both the internal operations within UK SBS and for its customer-facing operations.

To provide additional assurance the AHRC has been operating a number of supplementary controls. GIAA has examined the additional controls, the outcomes of which were:

- Payroll Assurance – Moderate Assurance;
- GPC and iExpenses – Moderate Assurance;
- Order and Payment Processing – Moderate Assurance;
- Procurement – Limited Assurance;
- Grants Processing – Moderate Assurance;
- Human Resources – Moderate Assurance;
- Non-current Asset Accounting – Moderate Assurance.

The accepted audit recommendations in these areas will be taken forward in 2017-18. The recommendations in respect of the procurement audit are being taken forward at a cross-Council level and will form part of the Change Programme to ensure that an appropriate level of procurement capacity exists within UKRI.

#### UK SBS Risks and Issues

The BEIS strategy for shared services, including the

provision of services for UKRI, is still evolving. It has been agreed that the planned transfer of services from UK SBS to other bodies by April 2018 is now not achievable or necessarily desirable and that UK SBS is likely to be delivering a number of services in some form until 2019-20.

The Security and Resilience programme for Oracle 12.0.6 saw the successful update and transfer of databases and applications to a new environment at the end of 2016. Notable benefits are in security and resilience, with the security assessment undertaken after the transfer indicating that the systems were well within the best practice threshold. Planning for the proposed Oracle upgrade from 12.0.6 to 12.1.3 is underway. Once completed, this will mean that both the platform and full application stack will be back into full support until 2021, opening the door for further improvements and upgrades if required and providing significant contingency for ongoing service provision for the Research Councils and UKRI pending a decision on future direction.

The ability of UK SBS to maintain service delivery and to prepare for and transfer services over the next two to three years will be highly dependent on capacity and capability. The risk to continued resilience has been recognised by UK SBS and will continue to be monitored and managed. I will continue to be kept informed through the quarterly assurance letters from the UK SBS Executive Director.

#### f. External Audit

The AHRC Annual Report and Accounts is audited by the National Audit Office who produce an Audit Completion Report. The report is presented to Audit Committee with any highlighted governance issues discussed.

### Conclusion

The conclusion of my review is that the 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 the AHRC's policies, aims and objectives and that an effective plan for continuous improvement is in place.

# Remuneration and Staff Report

## Council Chair and Council Members except Chief Executive

### Unaudited Information

#### Policy

The Chair and Council members receive a letter of appointment from the Department for Business, Energy & Industrial Strategy (BEIS) 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.

Council Chair and Council Member appointments are Ministerial Appointments made by the Secretary of State for BEIS. The process for new appointments to the Council Chair and Council Members is regulated by the Commissioner for Public Appointments and they are therefore made in accordance with the Governance Code on Public Appointments set out by the Cabinet Office Centre for Public Appointments (<https://publicappointments.cabinetoffice.gov.uk/>). In accordance with the Code available at <http://publicappointmentscommissioner.independent.gov.uk>, vacancies are advertised nationally and a panel, including independent members, oversee the process. The panel reviews and shortlists applications carries out interviews, and then forwards names of appointable candidates to the Secretary of State for selection. Once the Secretary of State has made a final decision, an offer of appointment is issued by BEIS on their behalf to the successful candidate.

Council Chair and Council Members are defined as Office Holders. They are neither employees nor civil servants. Appointments are usually made for four years. In exceptional cases members may be offered the possibility of re-appointment for up to a further four 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 the AHRC, Council members are refunded for reasonable expenses. Remuneration rates for Council Chair and Council Members are the same across Research Councils. Members of Council who are civil servants are not entitled to receive an honorarium.



## Audited Information

### Remuneration

Council Chair and Council Members	Period of Appointment	2016-17 Remuneration £000	2015-16 Remuneration £000
Professor Sir Drummond Bone (Council Chair)	01/02/14 – 28/02/18	15–20	15–20
Ms Felicity Harvest	01/09/11 – 31/08/15	-	0–5
Professor Andrew Thompson <sup>1</sup>	01/09/10 – 30/11/15	-	15–20
Professor Bernard Silverman <sup>2</sup>	01/09/12 – 31/08/16	-	-
Miss Deborah Bull	01/09/13 – 31/08/17	5–10	5–10
Ms Jan Dalley	01/09/13 – 31/08/17	5–10	5–10
Mr Anthony Lilley	01/09/13 – 31/08/17	5–10	5–10
Professor Svenja Adolphs	22/09/14 – 31/08/18	5–10	5–10
Mr Robert Dufton	22/09/14 – 31/08/18	5–10	5–10
Professor Tom Inns	22/09/14 – 31/08/18	5–10	5–10
Professor Fiona Macpherson	22/09/14 – 31/08/18	5–10	5–10
Mr Trevor Spires	01/09/10 – 31/08/18	5–10	5–10
Professor Sir David Eastwood	01/09/11 – 31/08/19	5–10	5–10
Professor Simon Goldhill	01/09/15 – 31/08/19	5–10	0–5
Ms Julia Grant	01/09/15 – 31/08/19	5–10	0–5
Professor Greg Walker	01/09/11 – 31/08/19	5–10	5–10
Ms Lucy Winskell	01/09/15 – 31/08/19	5–10	0–5

1 From 01-12-2011 to 31-08-2015 Professor Andrew Thompson supported the AHRC's Chief Executive whilst he undertook his Chair of RCUK duties. The above amount for 2015-16 reflects this role and his Council membership. The AHRC has recompensed Exeter University for Professor Thompson's time plus VAT, National Insurance and pensions contributions. On 01-12-2015 Professor Andrew Thompson was appointed the Interim Chief Executive of the AHRC until the recruitment of a new CEO to replace Professor Rylance. Therefore Professor Thompson no longer receives a separate honorarium for his Council membership.

2 Professor Bernard Silverman, Chief Scientific Adviser to the Home Office, does not receive a salary as a civil servant.

## Unaudited Information

### Chief Executive and AHRC Directors

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

The performance of the AHRC Directors is assessed annually by the Directors' Remuneration Committee. This Committee is chaired by the Chair of Council and other membership comprises the Chief Executive and other Council members. Assessments are made using the AHRC's Performance Management arrangements for Research Council Directors, taking into the account the following:

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

There is no separate Remuneration Committee that considers the pay of other employees as they are covered by a collective agreement with Trade Unions which is

managed through the Research Council Harmonised Pay Consortium. All pay awards are subject to a satisfactory performance assessment. The amount of any non-consolidated one-off payment is determined by the level of performance rating within the year.

### Contracts of Employment

#### Chief Executive

Professor Andrew Thompson took up the post of Interim Chief Executive of the AHRC on 1 December 2015, seconded from the University of Exeter.

#### Directors

All Directors are employees of the AHRC. 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.

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 on the following page.

## Audited Information

### Remuneration of Directors

Chief Executive and Directors	2016-17				2015-16			
	Salary	Bonus <sup>1</sup>	Pension Benefits*	Total	Salary	Bonus	Pension Benefits*	Total
	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)	(£000)
Professor Rick Rylance, Chief Executive	0	5-10	0	5-10	105-110	10-15	(28)	85-90
Professor Andrew Thompson, Interim CE	85-90	0	11	95-100	25-30	-	5	30-35
Mr Graham Raikes, Director and Head of Professional Support Unit (PSU)	105-110	5-10	42	150-155	100-105	0-5	34	140-145
Professor Mark Llewellyn, Director of Research	80-85	0-5	18	125-130	80-85	0-5	24	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 2015-16 performance bonus (non-pensionable) for Professor Rylance was paid up to 30-11-2015, which was the date he left the AHRC.

2 Professor Andrew Thompson is an employee of the University of Exeter and is on secondment to the AHRC from 01-12-2015. The values shown above are the amounts reimbursed (excl Pension & NI contributions) to the University of Exeter and only reflect his duties as the Interim CEO. VAT is payable on the total amount invoiced, but is not included in the figure above. The AHRC also covers the cost of travel and accommodation between Exeter and the AHRC. This is a part-time contract of 0.80 of FTE. Full year FTE equivalent salary is £120k.

3 Mr Raikes's salary includes a responsibility allowance of 10% for his work as Head of PSU.

4 The pension benefit disclosure for Professor Thompson is not equivalent to the pension benefit disclosure of the other AHRC Directors, it is the reimbursement of the contributions the AHRC makes to the University of Exeter in respect of Professor Thompson's pension.

	2016-17	2015-16
Banded remuneration of highest paid director (£000)	120–125	105–110
Median remuneration of AHRC workforce (£)	30,853	30,650
Range of staff remuneration (£)	15,263 - 124,906	16,987- 121,706
Ratio	3.97	3.51

Salary paid in 2016-17 includes gross salary, overtime, recruitment and retention allowances, responsibility allowances and any other allowance to the extent that it is subject to UK taxation.

It does not include severance payments, re-imbursment of expenses, 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 1.86% between 2015-16 and 2016-17.

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. There were no benefits in kind paid to any of the AHRC Executive in 2016-17.

In 2016-17 a contractor received remuneration in excess of the highest-paid Director (2015-16).

### Pension Benefits

Chief Executive and Directors	Accrued pension at pension age as at 31-03-16 and related lump sum (£000)	Real increase in pension and lump sum at pension age (£000)	CETV at 31-03-17 (£000)	CETV at 31-03-16 (£000)	Real increase in CETV (£000)
Professor Rick Rylance, Chief Executive**	-	-	-	1,080	Information not available*
Professor Andrew Thompson, Interim Chief Executive***	-	-	-	-	-
Mr Graham Raikes, Director and Head of Professional Support Unit (PSU)	15–20 No lump sum	0–2.5 No lump sum	274	229	31
Professor Mark Llewellyn, Director of Research	10-15 Plus lump sum 30-35	0-2.5 Plus lump sum 2.5-5	214	137	Information not available*

\* The USS does not provide this information.

\*\* Professor Rylance left the AHRC on 30-11-2015.

\*\*\* Secondment from the University of Exeter, joined 01-12-2015.

### Compensation on Early Retirement or Loss of Office

A payment for loss of office was paid to Professor Mark Llewellyn during 2016-17. Further information can be found on page 40.

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' published in March 2013 and Non-Consolidated Performance Related Pay (NCPRP) guidance set out in the Government's announcement in May 2010, as well as the annual Senior Salaries Review Body report and any guidance from HM Treasury, the Cabinet Office or BEIS. 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.

The Professional Support Unit (PSU) was created in the year 2013-14. Mr G Raikes, Director of Resources for the AHRC, is also the Head of the PSU. In 2016-17 he was 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 the PSU. A proportion of Mr Raikes's 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 that each of the Councils' costs fairly reflects the services received.



## Unaudited Information

### Pension Schemes

The employees of the AHRC are automatically enrolled on the Research Councils' Pension Scheme (RCPS) which is an unfunded multi-employer 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' to the Principal Civil Service Pension Scheme (PCSPS), 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 Joint Superannuation Service (JSS), a unit hosted by BBSRC with the associated grant-in-aid managed by BBSRC Finance. 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 Management Board on the recommendation of the scheme actuary, the Government Actuary's Department (GAD) and is set at 26.0% of pensionable pay. The employee contribution rates are by analogy with the PCSPS rates. For the period 1 April 2016 to 31 March 2017 the rates and annualised earning brackets were as follows:

Annualised pensionable earnings	Classic % contribution rate before tax relief	Classic Plus, Premium and Nuvos % contribution rate before tax relief
Up to £15,000	3.80	4.60
£15,001–21,210	4.60	4.60
£21,211–48,471	5.45	5.45
£47,472–150,000	7.35	7.35
£150,001 and above	8.05	8.05

A Partnership Pension Account was made available to new staff from 1 October 2002, based on the portable Stakeholder Pension introduced by the Government in 2001. This is a defined contribution scheme. The employers pay the RCPS 0.8% of pensionable pay to cover death in service and ill health benefits. The employers pay the balance to the employee's private pension provider. The employer contribution for 2016-17 was £434.34 (2015-16 £6,540.18).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age or immediately on ceasing to be an active member of the scheme if they are already at or over pensionable age. Pensionable age is 60 for members of classic, classic plus and premium and 65 for members of nuvos. On 1 April 2015 Civil Service Pensions 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 operate by analogy

to the alpha scheme as the legislation does not permit this. Reform plans are in progress and expected to be implemented in April 2018. In the meantime BIS (now BEIS) has given permission for RCPS to continue 'as is' beyond April 2015. For further details about the Research Councils Pension Scheme pension arrangements can be found at the website <http://jsspensions.nerc.ac.uk>

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. The assets of all schemes are held separately from those of the AHRC in an independently administered scheme. It is not possible to identify the AHRC's share of the underlying assets and liabilities of any of the pension schemes. In the RCPS, the 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 benefit 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 Government Financial Reporting Manual (FRM) 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 valuation 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 has since concluded their reform policy which enabled the Government Actuary Department to start the process of completing a revised scheme valuation. This valuation will be 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 2016 with any resulting changes to contribution rates likely to be effective from April 2018.

For 2016-17, employer's contributions of £886k were payable to RCPS (2015-16 £817k) at 26% of pensionable pay for all the salary bands.

### **Universities Superannuation Scheme**

From September 2005, staff who join the AHRC and have an existing pension with the Universities Superannuation Scheme (USS) may be offered continued membership of this scheme.

Until 1 October 2011 new entrants to the USS became members of a final salary pension scheme for which employee contributions were 7.5% and employer contributions 16%.

From 1 October 2011 this section was closed to new entrants and new entrants joined a Career Revalued Benefits scheme. This was a career average pension scheme for which employee contributions were 6.5% and

employer contributions 16%.

Benefits accrued 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 was payable tax-free on retirement.

From 1 April 2016 both sections closed with all members transferring to the USS Retirement Income Builder. This is a defined benefits scheme for which employee contributions are 8% and employer contributions 18% up to the threshold. Members accrue a pension of 1/75th of their salary (up to the threshold) and a cash lump sum of 3/75th of their salary (up to the threshold) for each year of service.

If an employee earns above the threshold (£55,000 2016-17) any additional employee contributions and 12% of the employer contribution rate are paid into the USS Investment Builder.

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 Consumer Price Index.

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

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

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time.

The benefits valued are the member's accrued benefits and any contingent spouse's 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 which 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 which 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, or 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.

#### **Contingent Liabilities**

In 2015-16 the AHRC reported a contingent liability of £582k concerning the USS. This was due to the scheme being underfunded. Were the AHRC to have no USS members in its employment it would be liable to pay its share of the deficit.

In January 2017 the AHRC agreed the exit of Professor Mark Llewellyn, the Director of Research who was the only member of the USS Pension Scheme in the AHRC. His exit took place on 28 April 2017 and at this point the AHRC will be liable for their share of the USS deficit. As this was legally committed at 31 March 2017, the valuation of this deficit was calculated by USS to be £884k.

## Audited Information

### AHRC Staff Report

#### Staff Numbers and Related Costs

Staff Costs	2016-17 Total £000	2015-16 Total £000
Wages and Salaries	3,757	3,666
Social Security Costs	347	235
Other Pension Costs	1,780	858
Temp Staff	519	644
Secondment Expenditure	449	195
<b>Total Staff Costs as per Statement of Comprehensive Net Expenditure</b>	<b>6,852</b>	<b>5,598</b>
Less Recoveries in Respect of Outward Secondments	(356)	(170)
<b>Total Staff Costs after Deduction of Income Received for Secondments</b>	<b>6,496</b>	<b>5,428</b>

Income in respect of outward secondments is included in the AHRC's operating income (Note 6)

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

The average number of full-time equivalent persons employed during the year is documented in the tables below.

The AHRC hosts the PSU on behalf of the AHRC, EPSRC and ESRC, providing HR, Finance, Project, Reprographics and Information Services to the three Councils. The costs of the PSU are recharged to the Councils who receive a service. All new staff appointments across these functions are recruited to the AHRC.

In the AHRC, staff and other administrative costs are reported at a gross level (ie they include PSU FTE) throughout the Annual Report.

Staff Numbers	2016-17		2015-16		Total	
	AHRC	PSU	AHRC	PSU	2016-17	2015-16
Directly Employed/Core Staff	57	47	61	40	104	101
Seconded In	2	2	2	1	4	3
Temporary Staff	-	4	-	5	4	5
<b>Staff Numbers</b>	<b>59</b>	<b>53</b>	<b>63</b>	<b>46</b>	<b>112</b>	<b>109</b>
Seconded Out	(3)	(5)	(3)	-	(8)	(3)
<b>Staff Numbers</b>	<b>56</b>	<b>48</b>	<b>60</b>	<b>46</b>	<b>104</b>	<b>106</b>

	2016-17		2015-16		Total	
	Male	Female	Male	Female	2016-17	2015-16
Directors	2	-	3	-	2	3
Senior Managers	4	5	4	6	9	10
Other Employees	34	59	31	57	93	88
<b>Total Directly Employed/Core Staff</b>	<b>40</b>	<b>64</b>	<b>38</b>	<b>63</b>	<b>104</b>	<b>101</b>

## Civil Service Compensation Scheme Analysis

Value	Compulsory Redundancies		Other Departures		Total Departures		Total Packages	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17 £000	2015-16 £000
<£10,000	-	-	-	-	-	-	-	-
£10,000–24,999	-	-	-	-	-	-	-	-
£25,000–49,999	-	-	1	-	1	-	49	-
£50,000–99,999	-	-	-	1	-	1	-	55
£100,000–149,999	-	-	-	-	-	-	-	-
£150,000–200,000	-	-	-	-	-	-	-	-
<b>Total number of exit packages</b>	-	-	<b>1</b>	<b>1</b>	<b>1</b>	<b>1</b>	<b>49</b>	<b>55</b>

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. More information concerning the 2016-17 payment can be found in the 'Special payments and losses' section of the Parliamentary Accountability and Audit Report on page 42.

## Unaudited Information

### Staff Policies

#### Sickness Absence

PSU HR and the Research Council management monitor staff sick absences on an on-going 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 Assessor.

	2016-17	2015-16
Average number of staff during year	112	101
Total days lost to sickness	1,226	777
Average working days lost	11	8
Days lost to long-term absences	433	209

The increase in the number of sickness days is as a result of 12 long-term absences (25 days plus) for 10 individuals (two individuals within AHRC and eight within the PSU).

Common cause of absence	Days lost	%
Cold/Cough/Flu	150	12
Surgery	86	7
Bladder/Kidney/Genito-urinary	62	5
Gastrointestinal	60	5
Accident/Injury	47	4
<b>Total</b>	<b>405</b>	<b>33</b>



## 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.

The 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.

The 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 the AHRC's commitment to improving the working lives of its employees.

## Employee Engagement

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

The 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

The 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, AHRC and BBSRC, 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.

# Parliamentary Accountability and Audit Report

## Audited Information

### Regularity of Expenditure

I can confirm that for the financial year ended 31 March 2017, neither I nor my staff authorised a course of action, the financial impact of which is that transactions infringe the requirements of regularity as set out in Managing Public Money, and that Treasury approval has been obtained for all novel, contentious or repercussive transactions relating to 2016-17.

### Special payments and losses

The AHRC has one special payment of approximately £884k in relation to meeting its share of unfunded USS pension liabilities. In 2015-16 a contingent liability of £582k was recognised in the accounts for this. Following confirmation of the departure of the only AHRC employee who was a member of the scheme, the liability has crystallised and an accrual has been made in the 2016-17 accounts.

In addition to this the AHRC also has one exit payment of £29k, for which retrospective approval has been received from HM Treasury. BEIS agreed the payment on 6 January 2017.

### Remote contingent liabilities

The AHRC has no contingent liabilities as at 31 March 2017.



**Professor Andrew Thompson**

Accounting Officer

22 June 2017



## 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 2017 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. I have also audited the information in the Remuneration and Staff Report and the Parliamentary Accountability disclosures that is described in that report as having been audited.

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

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Council and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the 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 Performance Report and Accountability Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate and report.

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 2017 and of the net operating 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 parts of the Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with Secretary of State directions made under the Higher Education Act 2004; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

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

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

## Report

I have no observations to make on these financial statements.

**Sir Amyas C E Morse**

Comptroller and Auditor General

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

4 July 2017

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# STATEMENT OF COMPREHENSIVE NET EXPENDITURE

## for the year ended 31 March 2017

	Note	2016-17 £000	Re-presented 2015-16 £000
Total Operating Income	6	(5,695)	(4,618)
Staff Costs	3	6,852	5,598
Purchase of Goods and Services	5	1,585	1,881
Depreciation and Impairment Charges		32	68
Provision Expense	11	15	2
Research and Development	4	103,263	98,955
Notional Service Charge		978	1,044
<b>Total Operating Expenditure</b>		<b>112,725</b>	<b>107,548</b>
<b>Net Operating Expenditure</b>		<b>107,030</b>	<b>102,930</b>

The notes on pages 50-60 form part of these accounts.

# STATEMENT OF FINANCIAL POSITION

as at 31 March 2017

	Note	As at March 2017 £000	As at March 2016 £000
<b>Non-current Assets</b>			
Property, Plant and Equipment		34	57
Intangible Assets		11	13
<b>Total Non-current Assets</b>		<b>45</b>	<b>70</b>
<b>Current Assets</b>			
Trade and Other Receivables	7	11,314	9,415
Cash and Cash Equivalents	8	4,426	6,182
<b>Total Current Assets</b>		<b>15,740</b>	<b>15,597</b>
<b>Total Assets</b>		<b>15,785</b>	<b>15,667</b>
<b>Current Liabilities</b>			
Trade and Other Payables	9	(7,807)	(6,017)
Provisions	11	(17)	(14)
<b>Total Current Liabilities</b>		<b>(7,824)</b>	<b>(6,031)</b>
<b>Total Assets less Current Liabilities</b>		<b>7,961</b>	<b>9,636</b>
<b>Non-current Liabilities</b>			
Provisions	11	(114)	(120)
<b>Total Non-current Liabilities</b>		<b>(114)</b>	<b>(120)</b>
<b>Total Assets less Liabilities</b>		<b>7,847</b>	<b>9,516</b>
<b>Taxpayers' Equity and Other Reserves</b>			
General Fund		7,847	9,516
<b>Total Taxpayers' Equity</b>		<b>7,847</b>	<b>9,516</b>

The notes on pages 50-60 form part of these accounts.

The financial statements on pages 46-49 were approved by Council and signed on its behalf by:



**Professor Andrew Thompson**  
Accounting Officer  
22 June 2017

# STATEMENT OF CASH FLOWS

## for the year ended 31 March 2017

	Note	2016-17 £000	2015-16 £000
<b>Cash Flows from Operating Activities</b>			
Net Operating Expenditure for the Year		(107,030)	(102,930)
Adjustment for Non-Cash Transactions		32	68
(Increase)/Decrease in Trade and Other Receivables	7	(1,899)	709
Increase/(Decrease) in Trade and Other Payables	9	1,790	1,454
Use of Provisions	11	(3)	(14)
<b>Net Cash Outflow from Operating Activities</b>		<b>(107,110)</b>	<b>(100,713)</b>
<b>Cash Flow from Investing Activities</b>			
Purchase of Intangible Assets		(7)	(16)
<b>Net Cash Flow from Investing Activities</b>		<b>(7)</b>	<b>(16)</b>
<b>Cash Flows from Financing Activities</b>			
Grant-in-Aid Received by BEIS		104,383	101,894
Notional Service Charge		978	1,044
<b>Net Financing</b>		<b>105,361</b>	<b>102,938</b>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents in the Period</b>	<b>8</b>	<b>(1,756)</b>	<b>2,209</b>
<b>Cash and Cash Equivalents at the Beginning of the Period</b>	<b>8</b>	<b>6,182</b>	<b>3,973</b>
<b>Cash and Cash Equivalent at the End of the Period</b>	<b>8</b>	<b>4,426</b>	<b>6,182</b>

The notes on pages 50-60 form part of these accounts.

# STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

## for the year ended 31 March 2017

	Note	General Reserve £000	Total Reserves £000
<b>Balance at 1 April 2015</b>		9,508	9,508
Funding from BEIS		101,894	101,894
Net Expenditure for the Year		(102,930)	(102,930)
Notional Service Charge		1,044	1,044
<b>Balance at 1 April 2016</b>		<b>9,516</b>	<b>9,516</b>
<b>Balance at 1 April 2016</b>		<b>9,516</b>	<b>9,516</b>
Funding from BEIS		104,383	104,383
Net Expenditure for the Year		(107,030)	(107,030)
Notional Service Charge		978	978
<b>Balance at 31 March 2017</b>		<b>7,847</b>	<b>7,847</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 General Reserve.

The notes on pages 50-60 form part of these 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 the 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

The AHRC is dependent on funding from BEIS to meet liabilities falling due within future years. In March 2016 BEIS published The Allocation of Science and Research Funding 2016-17 to 2019-20, which shows continued funding for the AHRC for this period. On the basis of this publication, the AHRC has no reason to believe that future funding will not be forthcoming and therefore the accounts are produced on a going-concern basis. Confirmation of the 2017-18 allocation was received from BEIS in March 2017, detailing the AHRC's ring-fenced budgets.

The Higher Education & Research Bill received its first reading in May 2016, setting out the Government's intention regarding the Research Councils' future, with the creation of a single executive non-departmental public body operating at arm's length from Government – UK Research and Innovation (UKRI). The Bill states that the Government will ensure that the seven research discipline areas continue to have strong and autonomous leadership, and that UKRI will incorporate the assets, liabilities and functions of the seven Research Councils, Innovate UK, and HEFCE's research funding. The names and brands of the Research Councils and Innovate UK will be retained amongst a number of other protections. The bill received royal assent on 27 April 2017. On the strength of this information, the accounts have been prepared on a going-concern basis.

### Adoption of Standards and Changes in Policy

There have been no FReM changes during 2016-17 that have impacted the accounts of the AHRC. However, in line with HM Treasury's Simplifying and Streamlining Annual Report and Accounts project, the 2015-16 financial statements have been represented in accordance with the NDPB Green – Illustrative Accounts issued by HM Treasury. This has resulted in the split between Administration and Programme income and expenditure being removed from financial statements and the headings used in the Statement of Comprehensive Net Expenditure following the format used in the Whole of Government Accounts. There is no impact on the overall net result for the year for the comparative figures.



## Effective for Future Financial Years

In accordance with FReM these accounts apply EU-adopted IFRS and interpretations in place on 1 January 2016. These accounts have not applied the new IFRS 9: Financial Instruments, IFRS15: Revenue from Contracts with Customers or IFRS 16: Leases, Financial Reporting Standards that have been issued but are not yet effective (IFRS 9 and IFRS 15 are anticipated to be adopted in the 2018-19 FReM) and the adoption date of IAS16 is anticipated to be 2019-20 but is not yet endorsed by EU.

### 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, Energy & Industrial Strategy.

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 the 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. Non-current Assets

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

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

PPE is 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.

Property, plant and equipment 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

#### *Intangible Assets*

Capital expenditure on 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 amortised at the same rate as the other assets in that category.

#### *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.

#### **d. Ownership of Equipment 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.

#### **e. 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 the 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 12.

The AHRC's 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.

#### **f. 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 listed companies. 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*

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 Payables*

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

## **g. Accounting Estimates and Judgments**

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 judgments. These estimates and judgments 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 judgments 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 11).

A contingent liability is disclosed where the existence of an obligation will only be confirmed by future events.

## **h. Value Added Tax (VAT)**

As the AHRC is partially exempt for VAT purposes, irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of property, plant and equipment. Where output tax is charged or input tax is recoverable the amounts are stated net of VAT. The AHRC has charitable status for VAT purposes.

## **i. Pension Costs**

Retirement benefits to employees of the Council are provided by the Research Councils' Pension Scheme (RCPS), the Standard Life partnership 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 the Remuneration and Staff Report.

## **j. 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.

## **k. Notional UK SBS Charge**

Ownership of UK SBS transferred from the Research Councils to BEIS on 6 March 2013. The UK SBS monthly service charge to the AHRC is now deducted from the AHRC's funding from BEIS. In order to accurately reflect the cost of using UK 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.

## **l. Cash and Cash Equivalents**

In February 2013, it was agreed that the AHRC would take over the coordination responsibility for the Humanities in the European Research Area (HERA) network, which has resulted in the 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. The AHRC has separated the funds into a distinct GL account and will not cross-subsidise between AHRC funds and HERA funds in either direction. AHRC responsibility for this fund ceased at the end of April 2016, with the remaining balance being returned in July 2016.

# NOTES TO THE ACCOUNTS

## 2. Statement of Operating Costs by Operating Segment

2016-17	Research £000	Postgraduate £000	Other Programme £000	Administration £000	2016-17 Total £000
Income	-	-	(3,216)	(2,479)	(5,695)
Staff Costs	-	-	1,449	5,403	6,852
Purchase of Goods and Services	-	-	329	1,256	1,585
Depreciation, Amortisation and Impairment	-	-	-	32	32
Provision Expense	-	-	-	15	15
Research and Development	67,958	35,305	-	-	103,263
Notional Service Charge	-	-	-	978	978
<b>Total Operating Expenditure</b>	<b>67,958</b>	<b>35,305</b>	<b>(1,438)</b>	<b>5,205</b>	<b>107,030</b>

2015-16	Research £000	Postgraduate £000	Other Programme £000	Administration £000	2015-16 Total £000
Income	-	-	(2,636)	(1,982)	(4,618)
Staff Costs	-	-	1,419	4,179	5,598
Purchase of Goods and Services	-	-	585	1,296	1,881
Depreciation, Amortisation and Impairment	-	-	-	68	68
Provision Expense	-	-	-	2	2
Research and Development	62,467	36,488	-	-	98,955
Notional Service Charge	-	-	-	1,044	1,044
<b>Total Operating Expenditure</b>	<b>62,467</b>	<b>36,488</b>	<b>(632)</b>	<b>4,607</b>	<b>102,930</b>

Note: 'Other Costs' have been split into 'Purchase of Goods and Services' and 'Provision Expense' in the above tables.

## 3. Staff Costs

	2016-17 £000	2015-16 £000
Wages and Salaries	4,725	4,505
Social Security Costs	347	235
Other Pension Costs	1,780	858
<b>Total Net Costs</b>	<b>6,852</b>	<b>5,598</b>

<b>4a. Research</b>	<b>2016-17</b>	<b>2015-16</b>
	<b>£000</b>	<b>£000</b>
Responsive	37,064	34,721
Themed/Directed Research	16,693	19,277
Knowledge Transfer	5,491	5,685
Capital Grants	154	(67)
International Engagement	666	541
RCUK Operations	112	140
Open Access	485	916
Cross-Council Responsive Mode Awards	356	300
Newton	1,052	954
Global Challenges Research Fund	5,885	-
<b>Total Expenditure on Research</b>	<b>67,958</b>	<b>62,467</b>

<b>4b. Postgraduate Awards</b>	<b>2016-17</b>	<b>2015-16</b>
	<b>£000</b>	<b>£000</b>
Block Grant Partnerships	30,227	31,432
Non-BGP Competitions	(18)	(58)
Collaborative Doctoral Awards	4,951	4,906
Skills Development & Collaborative Research Training	-	(104)
International Mobility	186	252
Clore Leadership Programme	(41)	60
<b>Total Expenditure on Postgraduate Awards</b>	<b>35,305</b>	<b>36,488</b>

## 5. Purchase of Goods and Services

	2016-17	Re-presented
	£000	2015-16
		£000
Accommodation	283	206
Professional Services	10	74
Consultancy	-	54
Finance & HR Services	-	12
IT Costs/Support Costs	123	148
Training and Other Staff Costs	176	134
UK Travel & Subsistence	341	341
Overseas Travel & Subsistence	37	45
Advertising and Publicity	267	399
Audit Fees	45	45
Professional and International Subscriptions	32	23
Catering Services	44	127
Miscellaneous Other Costs	75	37
Other Audit Costs	63	43
Outsourced Programme Management Services	89	193
<b>Total</b>	<b>1,585</b>	<b>1,881</b>

## 6. Income

	2016-17	Re-presented
	£000	2015-16
		£000
Fee Income	(132)	(114)
Current Grants from Central Government	(1,209)	(1,044)
Current Grants from Private Sector Companies	(366)	-
Income from Other Governmental Departments	(3,933)	(3,368)
Miscellaneous Income	(55)	(92)
<b>Total</b>	<b>(5,695)</b>	<b>(4,618)</b>

## 7. Trade Receivables, Financial and Other Assets

	31 March 2017	Re-presented 31 March 2016
	£000	£000
Trade Receivables	202	129
Prepayments and Accrued Income	11,110	9,287
Other Receivables	2	(1)
<b>Total Receivables</b>	<b>11,314</b>	<b>9,415</b>

## 8. Cash and Cash Equivalents

	31 March 2017	31 March 2016
	£000	£000
Balance at 1 April 2016	6,182	3,973
Net Change in Cash and Cash Equivalents	(1,756)	2,209
<b>Balance at 31 March held in Government Banking Service</b>	<b>4,426</b>	<b>6,182</b>

## 9. Trade Payables and Other Current Liabilities

	31 March 2017	31 March 2016
	£000	£000
VAT	(12)	(10)
Trade Payables	(155)	(485)
Other Payables	(114)	(142)
Accruals and Deferred Income	(7,526)	(5,380)
<b>Total Payables</b>	<b>(7,807)</b>	<b>(6,017)</b>

## 10. Financial Instruments

The AHRC is committed to pay a total of €732,833 towards the Humanities in the European Research Area Joint Project from 2017 to 2018 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 2017.



<b>11. Early Retirement Provision</b>	<b>31 March 2017</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
At April 2016	(134)	(148)
Payment/Utilisation of Provision	18	16
Increase in Provision	(15)	(2)
<b>At March 2017</b>	<b>(131)</b>	<b>(134)</b>

	<b>31 March 2017</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
Not later than one year	(17)	(14)
Later than one year and not later than five years	(114)	(120)
Later than five years	-	-
<b>Total</b>	<b>(131)</b>	<b>(134)</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 provision has been recognised in these financial statements.

<b>12. Other Financial Commitments</b>	<b>31 March 2017</b>	<b>31 March 2016</b>
	<b>£000</b>	<b>£000</b>
<b>Research Awards</b>		
Not later than one year	65,492	59,274
Later than one year and not later than five years	57,681	53,135
Later than five years	22	-
	<b>123,195</b>	<b>112,409</b>

<b>Postgraduate Awards</b>		
Not later than one year	29,002	26,597
Later than one year and not later than five years	61,542	69,617
Later than five years	-	5
	<b>90,544</b>	<b>96,219</b>

### 13. Related Party

The AHRC is a Non-departmental Public Body sponsored by BEIS. It complies with the International Accounting Standard on Related Party Transactions (IAS 24) as amended for Central Government use by HM Treasury.

For the purpose of IAS 24, BEIS and its partner organisations are regarded as related parties. During the year, the AHRC has had various material transactions with BEIS and with other entities for which BEIS is regarded as their parent department, as follows: Biotechnology and Biological Sciences Research Council; Economic and Social Research Council; Engineering and Physical Sciences Research Council; Medical Research Council; Natural Environment Research Council; Science and Technology Facilities Council and Innovate UK. In addition, the AHRC has had various material transactions with the UK Shared Business Services Limited (formerly the Research Councils' Shared Services Centre).

These Accounts provide disclosure of all material financial transactions in relation to the following individuals/groups:

- AHRC senior executive staff
- AHRC Council members
- AHRC Audit Committee members.

Material transactions where the individual/group had a direct interest in the award concerned have been disclosed in Table A with Table B outlining financial transactions with a related party of the individual/group.

Table C outlines transactions with institutions where Council and Audit Committee members are also members of staff or members of governing bodies. Members are considered if they are recognised as key management personnel within their employed institution.

**Table A**

<b>Individual</b>	<b>Institution</b>	<b>No. of Awards</b>	<b>Amount £000</b>
Professor Andrew Thompson	University of Exeter	1	778

**Table B**

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

# NOTES TO THE ACCOUNTS

**Table C**

<b>Individual</b>	<b>Institution</b>	<b>Aggregate Amount £000</b>
Professor Andrew Thompson	University of Exeter	1,658
Professor Sir David Eastwood	University of Birmingham	2,759
Miss Deborah Bull	Kings College London	1,818
Ms Lucy Winkell	Northumbria University	413
Mr Robert Dufton	University of Sheffield	1,810
Professor Tom Inns	Glasgow School of Art	203
Dr Catherine Martin	University of Edinburgh	1,739
Mr Robert Williams	University of Oxford	6,405

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

On 27 April 2017 the Higher Education and Research Act received royal assent. This forms the basis of the formation of UKRI.

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





Arts & Humanities  
Research Council

Arts & Humanities Research Council  
Polaris House  
North Star Avenue  
Swindon SN2 1FL

Telephone: 01793 416000  
Email: [enquiries@ahrc.ac.uk](mailto:enquiries@ahrc.ac.uk)

[www.ahrc.ac.uk](http://www.ahrc.ac.uk)

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