





Economic and Social Research Council

Annual Report and Accounts 2017-18

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Acronyms List

AC	Audit Committee
AHRC	Arts and Humanities Research Council
AMR	Anti-microbial Resistance
BBSRC	Biotechnology and Biological Sciences Research Council
BEIS	Department for Business, Energy and Industrial Strategy
CDT	Centres for Doctoral Training
DEL	Departmental Expenditure Limit
DfID	Department for International Development
DTP	Doctoral Training Partnership
ESRC	Economic and Social Research Council
EPSRC	Engineering and Physical Sciences Research Council
FAP	Funding Assurance Programme
GCRF	Global Challenges Research Fund
GIA	Grant in Aid
GIAA	Government Internal Audit Agency
HEFCE	Higher Education Funding Council for England
HEI	Higher Education Institution
IAA	Impact Acceleration Accounts
IFS	Institute for Fiscal Studies
ILO	International Labour Organisation
ISCF	Industrial Strategy Challenge Fund
NAO	National Audit Office
NDPB	Non-Departmental Public Body
ODA	Official Development Assistance
OOB	Operation Oversight Board
PSU	Professional Support Unit
RCs	Research Councils
RCUK	Research Councils UK
RO	Research Organisation
UKDS	UK Data Service
UKRI	UK Research and Innovation
UKSBS	UK Shared Business Services

Foreword

by Chair

This year, the ESRC has shown how a cross-disciplinary approach to major challenges is helping to find evidence, influence policy and make a difference to people's lives.



This cross-disciplinary approach is one of cornerstones of UK Research and Innovation and central to the ESRC's work. During the year the ESRC led a cross-Research Council activity in the area of mental health that identified four important research areas: Understanding mental health and mental health problems; The connection between physical and mental health; Public health, prevention and wellbeing; and Living with mental health problems. These areas are the basis for a large cross-Research Council call for the creation of cross-disciplinary mental health networks to address important research questions and to help us better understand and treat this often unnoticed or ignored problem.

And in the area of anti-microbial resistance the ESRC has been the main backer of research projects that put social and behavioural issues at the forefront of the fight against antibiotic resistance. Other funders include the Department of Health, the Medical Research Council, the Biotechnology and Biological Sciences Research Council, the Arts and Humanities Research Council, and the Veterinary Medicines Directorate; several innovative and wide-ranging projects are now underway to help in the fight against this global problem.

Closer to home, the work of the UK in a Changing Europe initiative, recognised in the ESRC's 2017 Celebrating Impact Prize, has shown the breadth and depth of research expertise in providing impartial information on a huge number of social, political and economic issues thrown up by the UK's decision to leave the European Union. The team is an excellent example of how hard work, creativity and enthusiasm can put social science at the forefront of key debates and position social scientists as important voices. These are just three examples of how the ESRC can bring a new perspective to bear on important issues and how social science works with the other sciences to identify and tackle

problems. There are many other examples of the impacts of the research the ESRC funds in the following pages.

In closing what will be my last Chair's Annual Report statement, my thanks go to the ESRC staff who have worked with colleagues in other councils, individually and in project teams, to prepare the groundwork for the start of the UK Research and Innovation in March this year. Much has been achieved in a short space of time and all staff at the ESRC – and indeed staff of the other members of UK Research and Innovation – should be congratulated for their enthusiasm, hard work and willingness to achieve a common goal.

Thanks also to the retiring Council members for their support and service during their time on the ESRC Council, and welcome to the members of the new Council. I am sure their contribution to the direction of the ESRC within UK Research and Innovation will be invaluable.

Welcome to Professor Jennifer Rubin, the new Chief Executive, now Executive Chair of the ESRC. Jennifer brings a wealth of valuable experience to the ESRC which will help the social science community engage with the key issues facing the UK today and position the ESRC as a major partner in the UK's new research landscape.

And finally, I would like to say how pleased I am to have served as Chair of the ESRC since 2009. It has been a fascinating, challenging but rewarding role and one which I have thoroughly enjoyed. I would like to wish the ESRC, its staff and the social scientists it funds the very best for the future.

Dr Alan R Gillespie
Chair, ESRC

Statement by Chief Executive

I am delighted to have been appointed ESRC Chief Executive (now Executive Chair) in January 2018 and thank my predecessor, Professor Jane Elliott, for her contribution to the direction and continued success of the ESRC. I also thank Professor Tony McEnergy for acting so effectively as interim Chief Executive until my arrival. We all wish Jane and Tony success in their new positions.



The ESRC has had a busy and successful year funding social science to address existing and new research challenges informing a wide range of social and economic questions. For example, we have expanded our funding of research on productivity with the launch of our productivity Insights Network, and the ESRC's UK in a Changing Europe initiative continues to provide evidence about the UK's withdrawal from the EU, both of which are generating rigorous interdisciplinary research and widely accessed discussion of findings.

We have extended our network of existing Research Centres, which cover themes ranging from financial markets to climate change, race and ethnicity to demographic change. And eight established research centres have been awarded a total of £6.9m to continue their work under a new funding model designed to secure the long-term sustainability of social science research excellence in the UK.

This year the ESRC recognised our global centres of excellence with official Research Institute status. This acknowledges those centres which have demonstrated sustained strategic value to the social science research landscape, with long-term, five-year funding. The first two Institutes are the Centre for Economic Performance at the London School of Economics and Centre for the Microeconomic Analysis of Public Policy at the Institute for Fiscal Studies.

In June we announced more than £10m of new funding for innovative multidisciplinary research in the fields of economics and social science. Five new large grants were awarded to projects that, over the next five years, will investigate significant issues – social care, inequalities, EU exit, consumer behaviour and microdata – strengthening ESRC's portfolio.

The joint ESRC/Joseph Rowntree Foundation/AHRC UK Collaborative Centre for Housing Evidence (CaCHE) started work in August 2017. The Centre brings together a range of academic and non-academic stakeholders to provide robust evidence to inform housing policy and practice across the UK.

What Works continues to be a flagship activity of the ESRC because of the importance of harnessing existing research to more directly inform improvements in policy and practice. We committed £2m in 2017-18 to this broad portfolio focusing on a range of policy areas. During 2017-2018 we have continued to support shared learning to develop the effectiveness of the What Works approach and also recently funded three collaborative projects between What Works Centres to address common challenges.

We have maintained our support for research that addresses international development challenges and committed £16m to address pressing development issues via the Global Challenges Research Fund. In early 2018 three calls were launched: £4m of funding in a call focusing on mental health in developing countries; a further £7m via the New models of sustainable development call; and £5m through the Inequalities and skills acquisition in young people call.

We continue to support the Newton Fund and we have been developing and commissioning programmes in conjunction with other delivery partners in new countries – Mexico, Colombia, Chile – while also leading on the commissioning of a new £5-million cross-Council programme on Antimicrobial Resistance in India.

In the area of data infrastructure, the independent Longitudinal Studies Strategic Review has reported to the

ESRC Council and is published in May 2018. The ESRC is now working with UKRI and partner councils, BEIS and other funders to explore opportunities to progress review recommendations.

Our Big Data Network Business and Local Government Data Research Centres are continuing to enable access to datasets from a diverse range of partners, including Lloyds Bank, Aviva, and BT, as well as many town, county and borough councils. Over 140,000 unique users are registered, and over 110,000 datasets have been downloaded.

The Administrative Data Research Network (ADRN), launched in 2013, comes to the end of its five-year funding period in 2018. Our strategic commitment to making administrative data available for research continues and we are developing plans for a future provision for accessing and conducting research using administrative data in the UK. In July 2016 we commissioned 14 new Doctoral Training Partnerships and two targeted Centres for Doctoral Training that will build capacity in Biosocial Research and New Forms of Data. Our Doctoral Training Network will provide the highest quality doctoral training across the full breadth of the social sciences and represents an investment of approximately £243m by the ESRC in six cohorts of students.

Through funds from the National Productivity Investment Fund we have funded 14 new ESRC/research council Innovation Fellows enabling some of the UK's most talented Early Career Researchers to undertake major new innovation-oriented research and promote greater collaboration between industry and the research community. Showcasing the ESRC's research and its impact and disseminating knowledge are integral to the ESRC's mission. In 2017 we celebrated the 15th anniversary of the ESRC Festival of Social Science with 310 free events across the UK attracting a total audience of over 36,500. The ESRC 2018 photographic competition, The Bigger Picture, attracted 559 entries from 348 young people across 75 schools who creatively captured what social science means to them. Our 2017 Celebrating Impact Prize marked the fifth anniversary of the awards and event winners this year included researchers whose work addresses fuel poverty, migration, enterprise and diversity, witness interviews, and EU exit. To close, I would like to thank the ESRC Chair, Dr Alan Gillespie, for his invaluable contribution to the ESRC over the years. Alan has brought a professional and practical voice to guiding the ESRC through many challenges and successes, and provided wise counsel to the Chief Executives with whom he has worked.

Also thank-you to the retiring Council members who have worked to ensure the relevance and success of the research the ESRC funds and welcome to the new Council members who were appointed on the transition to UK Research and Innovation. For a full list see page 26.

Finally, my thanks to the ESRC staff for their professionalism and enthusiasm as the ESRC and research councils made the transition to UK Research and Innovation. This represents a massive organisational change for all members of UKRI and is an exciting time replete with opportunities for the UK research councils and the researchers they fund. The creation of UKRI is a clear commitment from government to the value of an interdisciplinary approach to research questions, and how research is vital for understanding and enhancing innovation and economic performance. The Government's Industrial Strategy, Industrial Strategy Challenge Fund, and the Strategic Priorities Fund (SPF) represent huge opportunities for the social sciences to bring expertise and analysis to bear on the biggest challenges facing society, and for the ESRC to make its contribution through interdisciplinary work with UKRI councils and other partners.

Professor Jennifer Rubin

Chief Executive, ESRC

26 June 2018

Overview

Brief History and Statutory Background

The Economic and Social Research Council (ESRC) is an independent organisation, established by Royal Charter in 1965, and funded mainly by Government through the Department for Business, Energy and Industrial Strategy (BEIS). It is the UK's largest funder of social and economic research, supports the development and training of the UK's future social scientists and also supports much of the core infrastructure for social science research.

Nature of the Organisation

The ESRC spends approximately £231m on research and training yearly, supports over 4,000 researchers and students at any one time, and has around 153 staff. The ESRC also works collaboratively with the six other UK Research Councils, RCUK and Innovate UK to fund cross-disciplinary research and innovation addressing major societal challenges. ESRC-funded research informs policymakers and practitioners and helps make businesses, voluntary bodies and other organisations more effective. We are an international leader in the social sciences, fostering collaboration with a wide range of international partners.

Our Core Values

Quality: All ESRC research awards are made in open competition, subject to transparent peer assessment at the outset and evaluation on completion. Rigorous standards are applied to all the training we support. Our research often involves multidisciplinary teams and collaboration with other councils. Our datasets and our longitudinal and panel studies are internationally acclaimed resources.

Impact: Our research makes a difference: it informs public policies and makes businesses, voluntary bodies and other organisations more effective as well as shaping wider society. Our knowledge exchange schemes are carefully devised to maximise the economic and social impacts of the research that we fund.

Independence: Although we are publicly funded, our Royal Charter emphasises the importance of independence and impartial research. We have no in-house researchers, but allocate funds to academics in universities and other institutes throughout the UK.

Supporting Excellence

The past 50 years have seen a marked increase in global interdependencies, with many of the current challenges we face having a global reach, and increasingly the best work is being done by research teams working across national boundaries. The international dimension of our work therefore needs to be an even stronger focus in the years to come. We will work with international funding partners to enable UK researchers to collaborate with the best scholars in their field across the globe, and support research that is world-class and informs prosperity, wellbeing and justice on an international scale.

The research we support is all peer-reviewed and only the highest quality work is supported. Decisions about what and who to fund are independent from government and sectional interests of any kind. Maintaining the excellence of the social sciences in the UK is vital to maximising its impact and encourages international collaborations and investment.

We are committed to driving innovation and maximising the impact of all the work that we support, ensuring research outcomes are open and accessible to research users and the public. Impact can be immediate or realised over the longer term, but it is most effective where social scientists are supported to build relationships with relevant stakeholders from the earliest stages of the research process.

Much social science requires high-quality data and a robust infrastructure. We will continue to support a coherent portfolio of data resources, including our world-class longitudinal studies, to allow researchers to answer the fundamental questions facing our society. The ESRC will also play a key role in making new sources and forms of data available to researchers. Analysis of data in real time will dramatically increase the pace of both discovery and application, enabling researchers to respond quickly to new challenges and opportunities.

Excellent social science needs people with the skills, curiosity and creativity to be truly innovative. It also requires people with the ability to work in interdisciplinary teams and to communicate research ideas and findings clearly. We are committed to

working with universities and other research organisations to develop the next generation of social scientists. Together we will ensure that they are equipped to undertake high-quality analytical work, to handle different forms of data, and to collaborate with others.

Over the coming years we will continue to collaborate closely with a wide range of stakeholders – including the other Research Councils and Innovate UK, learned societies, universities and other research organisations, and those from business, government and the third sector. Together we will identify key priorities for social science research and work to maximise the benefits of that research for society.

Principal Risks and Uncertainties

ESRC's risk management process is designed to manage risk within our risk appetite 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 ESRC Directors' Group and regularly reviewed by the Audit Committee and Council, who pay particular attention to those highlighted as significant high-level risks. It is through this process that ESRC is able to manage the key headline risks that impact on the delivery of the ESRC's programmes and operations and to enable mitigating actions to be agreed and implemented.

Performance Analysis

The ESRC has continued to invest in new research initiatives, harnessing the power of social science to address major social and economic priorities. This has included further investment around the challenges and opportunities presented by EU exit, particularly once the UK exits the EU. It has also led to new programmes on productivity, trust and global governance, mental health, health and social care, and understanding the macro-economy. With the advent of UK Research and Innovation (UKRI) we are scoping potential new interdisciplinary programmes that include health and ageing, transport and infrastructure, artificial intelligence and automation, and the future of public services. We have also extended our network of existing Research Centres, which cover a range of key priority themes such as financial markets, climate change, race and ethnicity and demographic change. This year the ESRC has also provided a long-term funding model for the Centre for Economic Performance at the London School of Economics and Centre for the Microeconomic Analysis of Public Policy at the IFS, ensuring that there is a continuing flow of critical evidence to support economic and fiscal policy development.

Delivery Plan Objective: Fostering Research and Innovation

Main Activities/ Achievements

Update/Impact

1: We will protect funding for our responsive-mode Standard Grants scheme, ensuring we continue to be able to support the highest quality curiosity-driven social science.

- We increased investment in our standard grants scheme, which enabled us to fund over 60 new projects of the very highest quality across the social sciences.

2: We will continue to fund ambitious, impactful and cutting edge social science across all funding modes, including our Transformative Research scheme, which supports research designed to be at the frontier of innovation.

- Funding has been allocated for up to 15 projects in a further round of the Transformative Research Scheme.
- Working with other Councils has generated innovative insights across a wide range of topics from energy to sustainable food systems.

3: We will deliver high-quality, independent evidence in challenging and topical areas of public debate.

- The evidence base produced by the UK in a Changing Europe initiative for interpreting the UK's withdrawal from the EU continues to be well accessed with over 60,000 visitors per month to its website, 14,000 Twitter followers and over 5,600 media appearances by the Director and Fellows.
- We are funding further outreach and dissemination resources to further increase the impact.

Main Activities/ Achievements	Update/Impact
<p>4: We will invest in areas of national priority, mobilising social science evidence to address significant social and economic challenges.</p>	<p>4a: Understanding the Macro Economy</p> <ul style="list-style-type: none"> • The £4.6m Rebuilding Macroeconomics Network commenced in May 2017, led by Dr Angus Armstrong at the National Institute for Economic and Social Research (NIESR). • The network is commissioning a series of hubs each addressing a specific macroeconomic issue and exploring new approaches to that issue. The first three hubs, focussed on Instability, Institutions, and Governance are now in place. <p>4b: Productivity</p> <ul style="list-style-type: none"> • £1.5m has been invested to establish the Productivity Insights Network comprised of teams from nine universities and two private sector collaborators under the direction of Professors Philip McCann and Tim Vorley at the University of Sheffield. • The network is taking a multi-level, multi-perspective, multi-methodology, interdisciplinary approach with research activities based around seven core themes. • The wider Productivity Insights Network has a membership of over 50 academics as well as a growing number of public, private and third-sector partners under the guidance of an International Advisory Board chaired by Lord Jim O'Neill. <p>4c: Mental Health and Wellbeing</p> <ul style="list-style-type: none"> • The ESRC has been leading the Cross-Council activity in the area of Mental Health. • A broad consultation of academics and non-academic organisations informed the development of a cross-disciplinary Mental Health Research Agenda published in August 2017 and subsequently used as the basis for a large Cross-Council call to establish a series of cross-disciplinary mental health research networks to build research communities and collectively address the important research questions highlighted in the Agenda. • ESRC with AHRC launched a Global Challenges Research Fund call in November 2017 focussing on mental, neurological and substance use disorders in developing countries. • The ESRC is one of the funders involved in the UK Prevention Research Partnership, an alliance of research funders looking at the prevalence and increase of noncommunicable disease, musculoskeletal disorders, respiratory disease, cancer and poor mental health. <p>4d: Housing</p> <ul style="list-style-type: none"> • The joint ESRC/Joseph Rowntree Foundation/AHRC UK Collaborative Centre for Housing Evidence (CaCHE) started work on 1 August 2017. The Centre is directed by Professor Ken Gibb at the University of Glasgow, and brings together a range of academic and non-academic stakeholders. <p>4e: Ways of Being in a Digital Age</p> <ul style="list-style-type: none"> • Following an external scoping review in summer 2017 it was agreed to embed this theme into future areas of interest including AI, Automation and Robotics.

Main Activities/Achievements	Update/Impact
<p>5: We will deliver a significant contribution to international development goals through our support for international development research and related activities.</p>	<ul style="list-style-type: none"> • We actively support the collective GCRF strategy, including acting as lead and co-managing 12 of the 37 GROW call awards whilst retaining an interest in 18 awards managed by other councils. It is estimated that around £65m of social science research features in successful GROW projects – more than any other area of science. • ESRC-led GCRF commitments during the year included £2.8m for 30 post-doctoral fellows, £2.8m for 22 strategic networks, and £1.1m for a dedicated GCRF Secondary Data Analysis Initiative call. • Calls have been launched for social science research totalling £16m to address development issues in the areas of mental health in developing countries, new models of sustainable development, and inequalities and skills acquisition in young people. • £600,000 has been allocated to ESRC's Impact Acceleration Accounts (IAAs) to develop new ODA-focussed partnerships with NGOs and agencies. • Newton Fund spending during the year supported £7m of activity in more than 80 research projects across 10 countries. • During the past year, we have been developing and commissioning programmes in conjunction with delivery partners in new countries (Mexico, Colombia, Chile) while also leading on the commissioning of a new £5m cross-Council programme on Antimicrobial Resistance (AMR) in India. • Other highlights include the first jointly funded research programme looking at Indian urban challenges with the Indian Council of Social Science Research (£2m joint investment); the first international seminar with the Chinese Academy of Social Science focusing on China's economic growth; and the first conference for ESRC Newton award-holders, co-organised with Glasgow University IAA, that promoted networking and the different ways to maximise impact from international research.

Delivery Plan Objective: Creating and Maximising Data Infrastructure for Research

Main Activities/Achievements	Update/Impact
<p>6: We will continue to take a strategic lead in expanding the UK's world-class infrastructure for research, focused on largescale sources of data including longitudinal, international, cross-sectional, administrative, and private sector data.</p>	<ul style="list-style-type: none"> • The independent Longitudinal Studies Strategic Review report to ESRC was published in May 2018. It found that "The UK is recognised globally as having significant strengths in longitudinal data, thanks to historic investments by the ESRC [...] over many decades. The investment in these resources gives the UK social science community a competitive advantage in understanding critical population trajectories over the life course and across changing contexts." • The recommendations from the review are now being explored and developed.

Main Activities/ Achievements	Update/Impact
<p>7: We will explore the potential of new forms of data (both quantitative and qualitative) and innovations in data collection, linkage and use, providing the necessary infrastructure to support bold and innovative social science.</p>	<ul style="list-style-type: none"> • The ESRC continues to invest in the Secondary Data Analysis Initiative (SDAI), and will be refreshing the open call to further enhance the potential for innovative and impactful use of existing datasets whether ESRC-funded or not. • We have recently recommissioned the UK Data Service (UKDS) for a further five years. The UKDS is a world-leader in the curation and archiving of high-quality data produced by a variety of research activities across sectors. • We are funding the Cardiff Online Social Media Observatory (COSMOS), which brings together social, computer, political, health, statistical and mathematical scientists to study the complex dimensions of social media data in social and policy contexts. Analyses enabled by COSMOS have directly contributed to the development of policies and legislation including the UK Government's Hate Crime Action Plan.

Delivery Plan Objective: Building Capability

Main Activities/ Achievements	Update/Impact
<p>8: We will launch our new Doctoral Training Network, including thematic Centres for Doctoral Training, to support the development of highly capable and innovative researchers for a wide range of careers.</p>	<ul style="list-style-type: none"> • The Doctoral Training Network consists of 14 new Doctoral Training Partnerships (DTPs) and two targeted Centres for Doctoral Training (CDTs) to build capacity on Biosocial Research and New Forms of Data. • The Network represents an investment of approximately £243m by the ESRC in six cohorts of students across the full breadth of the social sciences. • The DTPs and CDTs have leveraged an additional 200 studentships on top of the 519 funded by ESRC (a 39% increase) through securing substantial co-funding from their institution and other organisations. We secured an additional 72 studentships through the National Productivity Investment Fund (NPIF). The NPIF awards were allocated in advanced quantitative methods and data skills areas, where there are known skills gaps, or were aligned to the challenge areas set out in the Industrial Strategy.
<p>9: We will develop new opportunities to support early-career researchers allowing us to develop a strong cadre of leaders for the future.</p>	<ul style="list-style-type: none"> • We have awarded 14 new ESRC/RCUK Innovation Fellows using NPIF funds to undertake three year projects aligned to the Industrial Strategy. Innovation Fellowships enable some of the most talented ECRs to undertake major new innovation-orientated research in partnership with industry. • Our new Postdoctoral Fellowship Scheme was launched in October 2017 to support researchers who are within 12 months of completing their PhD. We expect to award 90 fellowships in the first year. • We have also appointed Professor Matthew Flinders (University of Sheffield) to the role of Leadership Fellow to develop an ambitious vision and strategy to build leadership capability within the social sciences.
<p>10: We will enable postgraduate students and early-career researchers, to forge links and create networks internationally.</p>	<ul style="list-style-type: none"> • We have continued to provide funding through our DTPs and CDTs for our students to participate in overseas visits to develop their research skills and international networks.

Delivery Plan Objective: Facilitating Partnerships and Realising Impact

Main Activities/ Achievements

Update/Impact

I1: We will support further opportunities for partnership working, knowledge exchange, and co-funding with a range of partners to tackle pressing societal issues.

- Over the year the IAAs have funded 453 collaborative projects with a range of non-academic partners. They have also supported 94 external and 138 inward secondments between universities and the non-academic sector; delivered 252 strategic events and supported creation of 85 continuing professional development programmes. In addition to these activities, our IAAs reported five licensing agreements, five patents/disclosures and five Proof of Concept projects.
- IAA projects focused on EU exit and the emerging Industrial Strategy Challenge Fund (ISCF) have been effective in pump-priming research capacity in the social sciences:
 - 102 IAA EU exit projects awarded £622,000 and leveraged an additional £196,000. Of these 61 collaborations have continued and 15 projects received further funding.
 - Over £260,000 was awarded to ISCF projects, leveraging an additional £441,000. Of the 39 projects, 27 collaborations have continued beyond the original funding and eight received further funding.
- Overall, our IAAs have enabled social science researchers to leverage substantial additional support including:
 - 99 IAA projects with total project costs of £1.5m leveraging £0.9m in additional support from local, regional and national government departments;
 - 155 IAA projects with total project costs of £2.7m leveraging £1.7m in additional support from third-sector partners;
 - 86 IAA projects with total project costs of £1.9m leveraging £1.4m in additional support from business partners.
- The Social Science Section of the Parliamentary Office of Science and Technology has contributed to 17 peer-reviewed briefings for parliamentarians, provided social science research and expertise to seven Select Committees, and hosted a range of events for parliamentarians and staff. It also published a two-year study into the acquisition, understanding and use of research across Parliament.
- The section has piloted a Parliamentary Academic Fellowship Scheme enabling 29 post-doctoral researchers supported by ESRC and EPSRC IAAs to undertake placements, delivered outreach workshops at universities and launched a new web hub for academics and staff.

I2: We will maintain and extend investment in the innovative 'What Works' network, providing robust evidence to guide decision making on public spending.

- We have awarded 14 new ESRC/RCUK Innovation Fellowships using NPIF funds to undertake three year projects aligned to the Industrial Strategy. Innovation Fellowships enable some of the most talented ECRs to undertake major new innovation-orientated research in partnership with industry.
- Our new Postdoctoral Fellowship Scheme was launched in October 2017 to support researchers who are within 12 months of completing their PhD. We expect to award 90 fellowships in the first year.
- We have also appointed Professor Matthew Flinders (University of Sheffield) to the role of Leadership Fellow to develop an ambitious vision and strategy to build leadership capability within the social sciences.

Main Activities/ Achievements	Update/Impact
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I3: Showcasing the ESRC's research and its impact, and disseminating knowledge are integral to the ESRC's mission. Our communication and engagement activities make our research more accessible to our stakeholders and the wider public, and highlight and generate impact to inform policy.

- We have continued to provide funding through our DTPs and CDTs for our students to participate in overseas visits to develop their research skills and international networks.

Financial Highlights

A more detailed analysis of the financial highlights noted below can be found in the financial statements on pages 54-57.

Statement of Comprehensive Net Expenditure	2017-18 £000	2016-17 £000
Total Operating Income	(28,206)	(30,948)
Total Operating Expenditure	242,807	226,963
Net Expenditure	214,601	196,015
Other Comprehensive Net Expenditure		
Net Gain of Revaluation of Non-Current Assets	(59)	(36)
Total Comprehensive Net Expenditure	214,542	195,979

Statement of Financial Position	As at March 2018 £000	As at March 2017 £000
Total Non-Current Assets	3,102	3,134
Total Current Assets	16,466	15,203
Total Current Liabilities	(26,017)	(23,719)
Total Taxpayers' Equity	(6,449)	(5,382)

Statement of Cash Flows	2017-18 £000	2016-17 £000
Net Cash Outflow from Operating Activities	(208,844)	(194,847)
Net Cash Flows from Financing Activities	212,454	194,644
Net Increase/(Decrease) in Cash and Cash Equivalents in the period	3,610	(203)

Performance Against Key Performance Indicators (KPIs) 2017-18

Fostering research and innovation

More than a quarter of our annual spend is allocated to responsive mode-type activities, creating a continuously- available and agile stream of funding to address key societal challenges. Activities such as the 2017-18 round of our Transformative Research call further build on the potential for high-risk, high-reward activity inherent in much of our portfolio. UK researchers in the social sciences remain partners of choice internationally, as evidenced in the 2017 Leiden data (<http://www.leidenranking.com/>), which suggests that around 40% of publications feature international collaboration.

Creating and maximising data infrastructure

We continue to support the UK's world-class infrastructure for research, focusing on large-scale sources of longitudinal, international, cross-sectional, administrative and private-sector data. We will work to ensure their future vibrancy, relevance, impact and sustainability in our response to the review of longitudinal studies, due to report in mid-2018. Levels of exploitation of our data investments remain high and they support a diverse user base. For example, over 100,000 datasets have been downloaded from our Business and Local Government Data Research Centres so far, with nearly half of the 140,000 registered users being found outside the academic sector.

Building capability

October 2017 saw the first cohort of students beginning their research careers with funding from our new Doctoral Training Partnerships. These 14 consortia bring together 74 research organisations and will receive ESRC funding sufficient to provide around 600 new studentships each year. This investment adds uniquely to UK capability through its cohort approach, delivering graduates equipped with the broad knowledge and specific skills needed to become future leaders. We are also developing an ambitious vision and strategy for how we can build leadership capability within the social sciences, in collaboration with our ESRC Leadership Fellow.

Facilitating partnerships and impact

Our funding continues to produce a large volume of significant and far-reaching impacts, as outlined in our annual Impact Report. We invest to improve the quality of engagement between those we support and those who might shape, translate and benefit from their work. Key interventions include our support for the Social Science section of the UK Parliamentary Office of Science and Technology, and the What Works network. Support for public sector engagement is mirrored by companion activities designed to foster closer working with business, for instance the Innovation Caucus (innovationcaucus.co.uk).

Financial Performance

ESRC is financed through its Grant in Aid settlement from BEIS which is based on the annual Departmental Expenditure Limit (DEL) allocation (shown in the allocation analysis table, page 19). Income is primarily generated through co-funding arrangements with a variety of third parties that mainly consist of other government bodies.

Grant in Aid received from BEIS for 2017-18 totalled £212.5m, an increase of 9.2% from the 2016-17 figure of £194.6m. BEIS allocation in respect of Newton Fund spend formed part of the GIA total for 2017-18. The administration allocation of the total fell by £104k, continuing the trend of cost reduction in this area.

The accounts for the year ended 31 March 2018 record net expenditure of £214.6m compared with £196m for 2017, in line with the increase in Grant in Aid referred to above.

Research expenditure accounted for 95% of ESRC's total expenditure for the year, consistent with the prior period performance.

Financial Position

ESRC's non-current assets consist of its share in the land and buildings premises in Swindon. An annual revaluation of these assets using indices supplied by UK SBS resulted in a £32K decrease in their net book value at year end.

The increase in cash is in line with decrease in receivables. This can be traced to a number of in-year settlements of March invoices. Previously these invoices would have been issued in year but not settled until the following period. Overall, the organisation's assets continue to be aligned with its liabilities.

Allocation Analysis 2017-18

Section 1	Total £000
Allocation	212,454
Total Expenditure	213,489
In Year Overspend	1,035

Section 2	Total £000
BEIS Allocation	
Administration	2,722
Programmes	174,807
Capital	34,925
Total Allocation	212,454
Expenditure	
Administration	2,651
Programme	175,926
Capital	34,912
Total Expenditure	213,489
Notional Charges	1,021
Depreciation	91
Net Gain/Loss on Revaluation	(59)
Total Comprehensive Expenditure in Statutory Accounts	214,542

The table is divided into 2 sections, Section 1 illustrates the total distribution of expenditure against allocation. Total overspend (the excess of expenditure over allocation) for the period totals just over £1m. Section 2 analyses the allocation and corresponding expenditure in terms of high-level budget-reporting classes. The total spend figure corresponds to the Statement of Comprehensive Net Expenditure.

Overspend of just over £1m occurred in the programme area, representing 0.53% of allocation. The overspend trend was identified mid way through the year and notified to BEIS throughout the remainder of the period as part of the regular monthly reporting cycle.

Underspend of £71K occurred in administrative spend due to the time taken to recruit a replacement for Professor Jane Elliott. During this period, Professor Tony McEnery moved up to the role of CEO, which resulted in savings against the budgeted cost.

Long-Term Expenditure Trends

This section provides analysis of a number of individual areas of performance. Figures for the accounting period and the three previous years are illustrated by graphs, which are accompanied by discussion of potential future trends.

ESRC Allocation Table

	2014-15	2015-16	2016-17	2017-18
	£'000	£'000	£'000	£'000
Administration	3,296	3,040	2,826	2,722
Programme Non-Cash	180	180	180	180
Sub Total	3,476	3,220	3,006	2,902
Programme	158,782	153,189	154,348	174,807
Capital	44,700	37,000	37,290	34,925
Sub Total	203,482	190,189	191,638	209,732
Total ESRC Allocation	206,958	193,409	194,644	212,634

Income

ESRC income comes from two main sources. Grant in Aid (GIA) from BEIS to support ESRC ongoing activities, and co-funding from external partners to support specific grants. The latter, predominately from other Government departments.

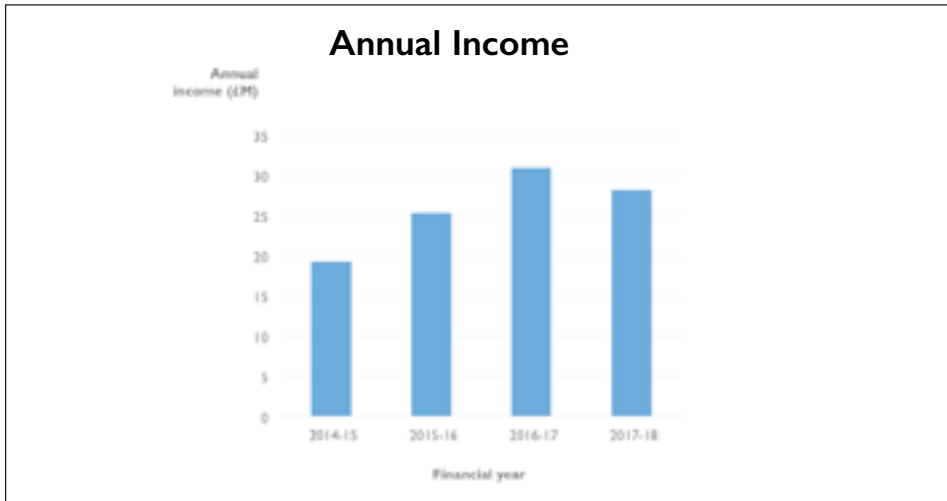
Allocation letters covering the period 2018-19 have now been received. Total allocation has been provisionally notified as follows:

	£000
Programme	224,643
Administration	1,925
Total	226,388

The provisional increase in programme spend is largely attributable to ring-fenced allocation.

Under UKRI, a number of administrative charges that were formally levied to Research Councils will receive their own budgets, which will result in a reduction in administrative costs at unit level.

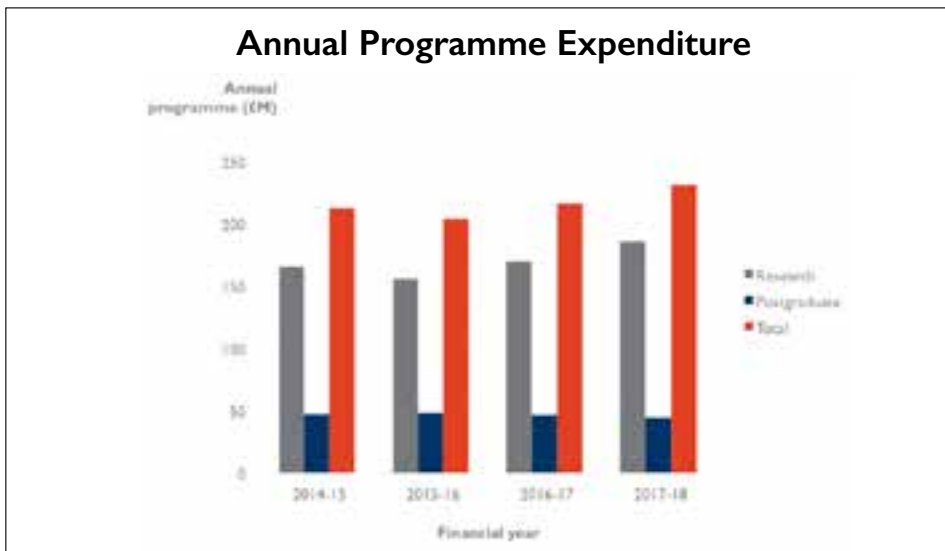
Income



Overall decrease of £2.7m from 2016-17 (8.86%),

The decrease can be traced to the change in funding arrangements for Newton: last year this was invoiced to BEIS and in 2017-18 it was included in the GIA payment. Newton spending for the period totalled £6.5m which means that underlying non Newton income increased.

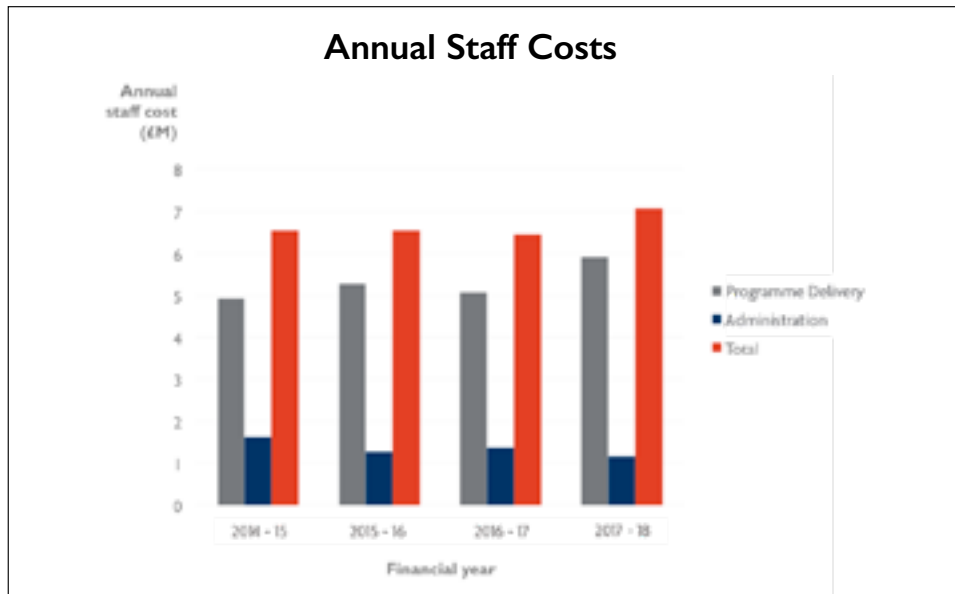
Programme Expenditure



Overall increase of £15.2m from 2016-17 (7.04%).

The Increase has taken place entirely in research expenditure, offsetting decreases in postgraduate and fellowship areas. Fellowship expenditure is now negligible £333K but is expected to revive in the future under new ring-fenced headings. The main drivers in research expenditure increase are Global Challenge Research Fund (GCRF) (£14.4m), and the Knowledge Exchange programme (£4.7m) as a result of increased Impact Acceleration Account activity.

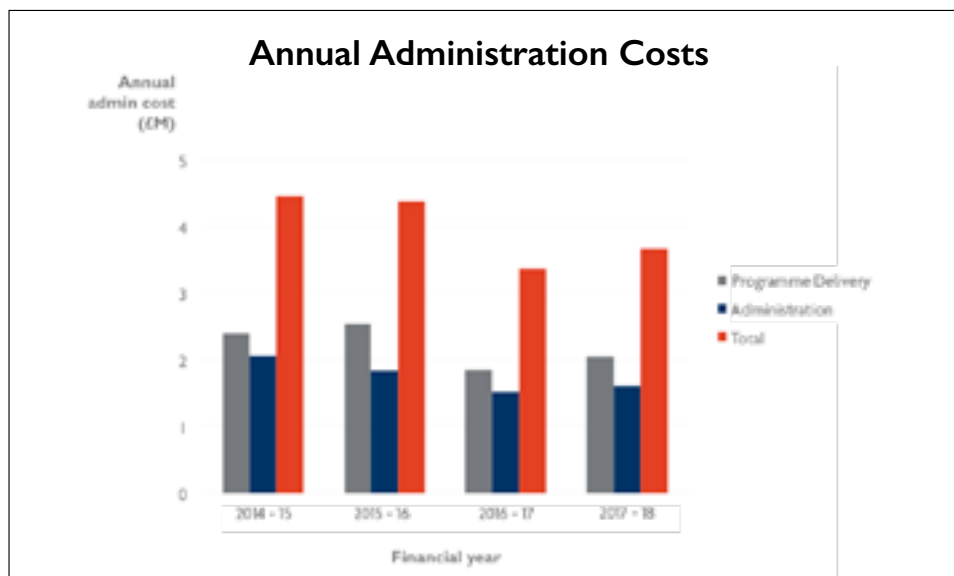
Staff Costs



Overall increase of £0.6m from 2016-17 (9.76%).

Staff numbers have increased from 130 to 140. This was forecast in the previous report, at which point a recruitment initiative commenced, aimed at senior management positions. A pay award of 1% was awarded during the period and further recruitment took place to cover secondments to UKRI.

Administration Costs



Overall increase of £0.3m from 2016-17 (8.73%).

The increase is in line with staff numbers and programme expenditure increases.

Creditor Payment policy

ESRC observes HM Treasury Guidance and makes every effort to pay creditors within five days of receipt of invoice. Where this is not possible, ESRC follow 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 2017-18 an average of 85.3% of payments were made within five days (2016-17 85.8%).

UK Shared Business Services (UK SBS)

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

Environmental Policy

The Natural Environment Research Council (NERC) has developed a cross-council environment policy which is supported by ESRC, who continue to work with other Research Councils and tenants of Polaris House, Swindon, in ensuring the building's impact on the environment is as limited as possible. Currently 71% 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, ESRC is out of scope and has received an exemption from BEIS for reporting against the Greening Government and Sustainability requirements.



Professor Jennifer Rubin
Accounting Officer

Accountability Report

Corporate Governance Report

Directors' Report

Council and Management Board

The following Council Members were appointed by the Secretary of State for Business, Energy and Industrial Strategy and normally serve for terms of two to six years. The dates given show their terms of appointment.

Dr Alan Gillespie CBE

Chair; ESRC, 2009-2018

Stephen Aldridge

Department for Communities and Local Government
2017-2018

Professor Glynis Breakwell

Vice Chancellor; University of Bath, 2011-2018

Professor Simon Collinson

Dean of Birmingham Business School, University of
Birmingham, 2011-2018

Professor Jane Falkingham

Professor of Demography and International Social Policy,
University of Southampton, 2017-2018

Professor Nigel Gilbert

Professor of Sociology, University of Surrey, 2017-2018

Professor Melinda Mills

Head of the Department of Sociology, University of
Oxford, 2017-2018

Susan Penwarden

Director; General Insurance, Aviva France, 2017-2018

Martin Rosenbaum

Executive producer; BBC, 2012-2018

Professor Jennifer Rubin

Chief Executive, ESRC, 2018-

Professor Judith Squires

Pro Vice-Chancellor; University of Bristol, 2014-2018

Karin Woodley

Chief Executive, Cambridge House, 2015-2018

Professor Alan Winters

Professor of Economics, University of Sussex, 2015-2018

Council members' remuneration is listed in the Remuneration Report (page 41) along with their remuneration for 2017-18.

The ESRC Council delegates day-to-day responsibility for administration and strategy to the Directors' Group, whose members are listed below.

Professor Jennifer Rubin

Chief Executive

Dr Fiona Armstrong

Deputy Director for Business Improvement and
Organisational Change

Frances Burstow

Deputy Director Skills and Methods

Andy Gibbs

Head of Strategy

Ruth Gibson

Deputy Director for Capability and Data Infrastructure

Gavin Mapstone

Head of Finance PSU

Jeremy Neathey

Deputy Director Research and International

Graham Raikes

Head of the PSU

Members of Committees 2017-18

Research Committee

Jeremy Neathey, ESRC (Secretary)
Professor L Alan Winters, University of Sussex, (Chair)
Professor Diana Mitlin, University of Manchester,
(Vice-Chair)
Professor Richard Breen, University of Oxford
Professor Jagjit Chadha, National Institute of Economic
and Social Research
Professor Simon Collinson, Birmingham Business School
Mike Emmerich, Metro Dynamics
Lisa Harker, The Art Room
Professor Katherine Homewood, University College
London
Professor Paul Nightingale, University of Sussex
Professor Kathy Rastle, Royal Holloway, University of
London
Professor Andrew Steptoe, University College London
Professor Gill Valentine, University of Sheffield
Professor Sarah Vickerstaff, University of Kent
Professor Anna Vignoles, University of Cambridge
Professor Dan Wincott, Cardiff University

Capability Committee

Frances Burstow, ESRC, (Secretary)
Professor Judith Squires, University of Bristol, (Chair)
Professor Andrew Henley, Aberystwyth University,
(Vice Chair)
Professor Svenja Adolphs, University of Nottingham
Professor Matthew Flinders, University of Sheffield
Professor Sayantan Ghosal, University of Glasgow
Professor John Goodwin, University of Leicester
Professor Irene Hardill, Northumbria University
Professor Gordon Harold, University of Sussex
Dr Andrea Hollomotz, University of Leeds
Professor Peter Hopkins, Newcastle University
Abdool Kara, National Audit Office
Dr Steve Legg, IBM UK Ltd
Professor Susan McVie, University of Edinburgh
Professor Nyovani Madise, University of Southampton
Carole Willis, National Foundation for Educational
Research (NFER), (Left 2017)

Audit Committee

Graham Raikes, PSU (Secretary - from June 2017)
Phil Sooben, ESRC (Secretary - left June 2017)
Dr James Richardson, National Infrastructure Commission
(left July 2017)
John Headley, The University of Law (Chair – until June
2017)
Karin Woodley, Cambridge House
Mark Robson, Bank of England (left August 2017)
Meryl Hayward, Historic England
Stephen Aldridge, Department for Communities and
Local Government (joined October 2017)
Susan Penwarden, General Insurance, Aviva France (Chair
– joined June 2017)

Conflicts of Interest

The potential conflicts of interest for ESRC are fully disclosed in Note 15 to the accounts on page 69.

Personal Data-Related Incidents

There were no protected personal data-related incidents formally reported to the Information Commissioner's Office in 2017-18. The table below outlines seven Incidents that were not deemed to be significant.

Please note that ESRC data security policy and controls are disclosed in the Governance Statement on page 27-39.

Summary of other protected data-related incidents in 2017-18.

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	-
II	Loss of inadequately protected electronic equipment, devices or paper documents	1
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	-
IV	Unauthorised disclosure	-
V	Other - data disclosure and non protected loss incidents	6

Freedom of Information

ESRC is subject to the Freedom of Information Act. During 2017-18 ESRC provided information in response to 36 requests (2016-17: 27 requests).

Corporate Governance Report

Statement of Accounting Officer's Responsibility

Under Section 2(2) of the Science and Technology Act 1965, the Secretary of State with the consent of HM Treasury has directed ESRC 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 ESRC 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 (https://assets.publishing.service.gov.uk/government/uploads/system/uploads/attachment_data/file/669344/2017-18_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
- 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 and Industrial Strategy has appointed the Chief Executive as Accounting Officer of ESRC. The responsibilities of an Accounting Officer, which include responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, keeping proper records and safeguarding ESRC's 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.

Corporate Governance Report

Governance Statement

1. Purpose

This Governance Statement sets out my assessment, as Accounting Officer, of ESRC's potential vulnerabilities and capability to deal with the challenges facing us in our current operating environment and before we transition into UKRI.

2. Scope of Responsibility

I formally assumed the role of Accounting Officer in March 2018. Previously this role was performed by Professor Tony McEnery on an interim basis from September 2017, who took over the role from Professor Jane Elliott. As Accounting Officer, I have personal responsibility for maintaining a sound system of governance and internal control, which supports the achievement of ESRC's policies, aims and objectives. I also safeguard the public funds and ESRC 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 ESRC and its sponsoring department, the Department for Business, Energy and 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:

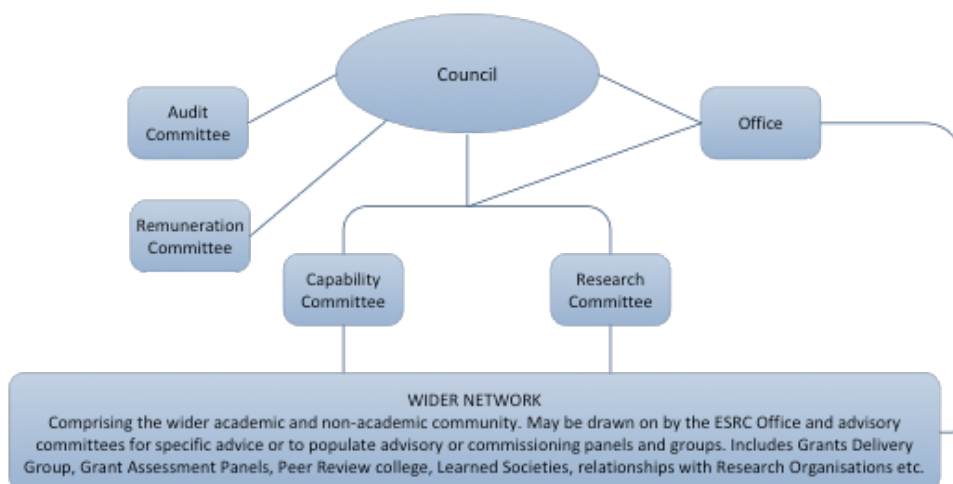
- all Council and committee meeting minutes;
- the work of internal audit, including work undertaken to evaluate funding assurance in UK universities;
- As covered in the section headed 'Stewardship Reporting' I took assurance on the governance and internal control framework from Professor Tony McEnery who served as Director of Research as well as interim Chief Executive Officer.

3. Governance Framework

ESRC is governed by its Council, which establishes and agrees the overall corporate strategy, key strategic objectives and deliverables for the ESRC as set out in its Strategic and Delivery Plans. The responsibility for implementing the decisions of Council is delegated to me as Chief Executive and Accounting Officer. Council reviews regular reports on the management and performance of ESRC, ensuring that appropriate action is taken to address any concerns identified, ensuring good financial management of the ESRC. Council works closely with its Audit Committee to monitor the overall ESRC risk profile.

In carrying out its work, Council is supported by two advisory committees that work alongside a Peer Review College and grant assessment panels. Our committees lead key aspects of our corporate strategy and oversee the development of our investments. These committees are chaired by Council members.

Council sets the vision and strategic direction for ESRC. The responsibility for the delivery of key strategy is delegated to me as the Chief Executive. A diagram of ESRC's current governance structure is as follows:



In 2017-18 Council met four times and discussion, among other matters, included:

- **Administrative Data Research Network (ADRN).** Council received updates on, discussed the progress of, and the challenges faced by, the ADRN. This resulted in Council agreeing to a restructuring and a focusing of the investment;
- **UKRI.** Council discussed the creation of and transition towards UK Research and Innovation, including support for interdisciplinary research and potential future priorities and how best to ensure the social sciences maintained their voice within UKRI;
- **EU exit.** Council discussed the importance and challenge of ESRC maintaining impartiality in EU exit debates and noted the successful commissioning of new EU exit priority grants which will undertake research and impact activities on the implementation of EU exit;
- **Global Challenges Research Fund.** Council received updates and discussed the challenges created by the Fund and noted the success of the social sciences as recipients;
- **Industrial Strategy Challenge Fund.** Council discussed ESRC's contribution to the Industrial Strategy Green Paper and how best to ensure the social sciences could exploit opportunities. The allocation of £5m for fellowships was noted;
- **Longitudinal Studies Review.** Council discussed the review taking account of the Life Study Lessons Learned Review;
- **UK Data Service.** Council agreed in principle funding for the UK Data Service and noted approval from BEIS of indicative funding figures for 2019-20 and 2020-21;
- **Portfolio Allocations.** Council discussed the ESRC's Strategic Plan commitments alongside new priorities and noted spending allocations;
- **Centres Review.** Council endorsed changes to the ESRC's Centre's policy.

Council members are recruited through advertisement in the national press, with oversight provided by the Office of the Commissioner for Public Appointments, and final appointments are subject to Ministerial approval. Members of Council and the ESRC's committees are listed on pages 24-25.

With the creation of a new Council from 1 April 2018 as part of the transition to UKRI a formal review of Council effectiveness was not undertaken in 2017-18. Council members did conduct annual appraisals, with the outputs helping to inform the operations of the new ESRC Council under UKRI, where best practice and lessons learnt will be developed. Council raised no issues in respect of the quality of data received throughout the year.

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

The Audit Committee provides assurance to Council and to me, as Accounting Officer, by reviewing the adequacy and effectiveness of ESRC'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.

A formal review of the Committee's effectiveness was not undertaken in 2017-18: however, the Committee did provide a hand-over to the new UKRI Audit, Risk, Assurance and Performance Committee and no issues in respect of effectiveness were raised. Members also took part in a Research Council-organised cross-council Audit Committee awareness day.

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

Name	Attendance at Council	Attendance at Audit Committee (AC)
Stephen Aldridge	2 out of 2	1 out of 3
Professor Dame Glynis Breakwell	4 out of 4	-
Professor Simon Collinson	4 out of 4	-
Professor Jane Elliott (CEO to Aug 2017)	2 out of 2	-
Professor Jane Falkingham	4 out of 4	-
Professor Nigel Gilbert	4 out of 4	-
Dr Alan Gillespie (Council Chair)	4 out of 4	-
Meryl Hayward	-	5 out of 5
John Headley (AC Chair and Council Observer to June 2017)	1 out of 2	4 out of 5
Professor Melinda Mills	4 out of 4	-
Professor Tony McEnery (CEO Sep 2017 to Feb 2018)	1 out of 1	-
Susan Penwarden (AC Chair from June 2017)	3 out of 4	4 out of 4
Dr James Richardson	2 out of 2	1 out of 2
Martin Rosenbaum	2 out of 4	-
Professor Jennifer Rubin (CEO March 2018)	1 out of 1	-
Professor Judith Squires	4 out of 4	-
Professor Alan Winters	4 out of 4	-
Karin Woodley	2 out of 4	3 out of 5

The Directors' Group is the Executive body for ESRC and comprises myself as Chief Executive, Directors and Deputy Directors. It meets regularly, at least monthly, with governance responsibilities to manage ESRC operations and finances in line with ESRC's 2016-2020 delivery plan, as well as monitoring associated risks.

The Remuneration Committee is responsible for advising the Council on matters relating to the remuneration of Directors and other pay-related matters for senior staff. BEIS determine my salary for my role as Chief Executive Officer.

ESRC's Committees lead key aspects of our corporate strategy and oversee the development of our research, infrastructure and training investments. They work together to help in the delivery of corporate objectives with an emphasis on delivering excellent social science with societal and economic impacts.

ESRC continues to comply with the policies set out in the Cabinet Office 'Principles of Good Corporate Governance in Executive Public Bodies'.

4. Risk Management and Internal Control Framework

a) Risk Framework

A harmonised risk management policy operates within 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.

ESRC's role is to support independent, high-quality research and postgraduate training, as well as the impact that economic and social 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. 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: <https://www.ukri.org/funding/peer-review/>.

ESRC'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 Directors' Group and reviewed by 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 ESRC manages the key headline risks that could impact on the delivery of the ESRC's programmes and operations and enables mitigating actions to be agreed and implemented.

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

b) Significant risks in 2017-18 and key mitigations

This section highlights below the most significant risks faced in 2017-18 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 Research and Innovation (UKRI)

The transition to UKRI creates big opportunities but also presents some uncertainties and risks.

The ongoing evolution of the shape of central corporate services has been an area of uncertainty. This has been managed through the ongoing support of PSU which will continue into 2018-19. The continuity of staff throughout 2017-18 has been a challenge, with resources becoming stretched in the delivery of business as usual alongside UKRI transition work. The Limited Assurance given to Phase 1 and 2 audits on the Digital and Technology Projects is a concern with the recommendations being taken forward by the Digital and Technology workstream as part of the UKRI transition programme. Since UKRI was coming into being as I came into my new role, there was some uncertainty around organisational responsibilities between ESRC and UKRI which created some difficulty in planning, for example in terms of senior recruitment. The creation of ESRC's Organisational Plan, a proactive Change Team, and the creation of a sub-group of Council is helping to manage this.

The creation of UKRI expands on the contribution of specific research disciplines with an increased focus on an interdisciplinary approach to research questions. This has been discussed by Council and ESRC have been engaged at a number of levels to discuss the UKRI vision and strategy and preserve ESRC's position in terms of purpose and relevance.

• Long-Term Sustainability of Infrastructure Investments

If ESRC is unable to demonstrate the value of its data infrastructure, the required funding may not be secured and the long-term planning and delivery of data infrastructure will be put at risk. A strategic refresh of resource investments will take place which will be aligned to the review of Longitudinal Studies. This will take into account the lessons learnt from the Administrative Data research Network and will help ESRC to effectively input into the UKRI infrastructure process.

• Administrative Data Research Network (ADRN)

ADRN is an ESRC business-critical project and seeks to improve access to and linkages between administrative datasets for research purposes to help tackle some of the major issues facing society in new ways. This project faced a number of challenges in respect of gaining access to Whitehall data, and whilst a number of data projects were taking advantage of ADRN, this was not at the anticipated level. In July 2017 Council agreed that the ADRN should reduce its activities in order to focus on acquiring Whitehall data, which was implemented from October 2017. This resulted in a reduction of the budgets for the remaining grants by an approximate average of 25%. The remainder of the project will be closely monitored

by ESRC to ensure value for public money and to ensure a focus on the core priorities of the investment. During 2017-18 two risks have been identified:

1) The failure of ADRN to function effectively by not taking into account the needs of data owners and the public. This was being managed through the ADRN Directors' Group and the ADRN Board, who agreed in January 2018 that this risk should be closed and replaced by the following risk.

2) The failure to obtain funds to support further investment in the Administrative Data Research Infrastructure. This is being managed through the development of a business case in close liaison with BEIS and UKRI colleagues and by demonstrating that ESRC is effectively dealing with issues in respect of the current ADRN investment.

- **Facilitating Partnerships and Realising Impact**

ESRC sets clear expectations with potential partners and there are clear guidelines and processes covering the submission and assessment of applications. ESRC also has a 'Crisis Communications Plan' which was endorsed by Council in October 2016. The plan is designed to safeguard the reputation of ESRC covering small-scale incidents from negative press coverage/enquiries to larger-scale issues, such as the closure of a major investment. This specific mitigation could be applied to any risk which requires effective communication to cover reputational damage.

- **General Data Protection Regulation (GDPR)**

The introduction of GDPR, on 25 May 2018, brings about substantial changes to the existing Data Protection Act 1998. The Information Commissioner's Office has indicated that they expect to see organisations striving for compliance rather than achieve full compliance on Day One. Nevertheless, failure to comply could result in fines up to 20m euros or 4% of turnover and significant reputational damage to ESRC. A cross-Council and Innovate UK project, led by the AHRC Director of Resources as Senior Reporting Officer, has been established to take forward the changes. A 'health check' led by the PSU, with assistance from internal audit, identified the project as a 'medium' risk bordering on a 'low risk'. This, however, continues to be a key risk due to the significant impact of non-compliance if there is an incident where we are at fault.

- **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 confidence in the security of our infrastructure. The PSU Information Systems team are committed to the continued assessment of controls and achieved Cyber Essential accreditation during 2017-18.

- **Exiting the EU**

Following the referendum on 23 June 2016, the UK is now scheduled to leave the EU on 29 March 2019. This means that future access to EU research funding and the nature of future immigration arrangements with the EU for researchers is subject to the negotiations between the UK and EU which at the time of the laying of this report are still underway. To address the uncertainty in relation to future EU funding, in August 2016 the UK Government announced that it would guarantee certain EU funded projects after the UK has left the EU. The Research Councils and Innovate UK continue to monitor developments and we are addressing this risk by working closely with colleagues in government and the wider sector to ensure an effective and joined up approach to the implications of leaving the EU.

- **Business Continuity and Disaster Recovery (BCDR)**

The testing of the BCDR plan and the training of key staff commenced in 2017-18 but has not been completed. This has led to a delay in fully embedding BCDR as a discipline within the organisation, but plans are in place to complete outstanding actions early in 2018-19.

- c) **Pay Remit**

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

d) Information Management

The PSU Information Management Team is responsible for:

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

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

ESRC 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.

ESRC 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. Also, as discussed above, ESRC is working towards implementing the changes required to meet the European Union's new GDPR which will be implemented as part of a Data Protection Bill on 25 May 2018.

In 2017-18 the PSU were accredited with 'Cyber Essentials', which provides me with assurance that the appropriate systems and level of controls are in place to support ESRC.

During the year ESRC staff have been provided with suitable advice, policy and guidance in respect of information management.

In 2017-18, 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.

e) People

The safety, wellbeing and resilience of our people is important to us, and ESRC has met its legislative responsibilities in relation to its people, including health and safety, the Equality Act and equal opportunities. In addition, ESRC has a suite of health and wellbeing benefits which are available to all staff along with available courses covering equality and diversity and mental health awareness.

PSU have produced a health and safety report for 2017-18 which was presented to the PSU Management Committee and contained no issues that need to be reported in this statement.

f) Transparency

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

- ESRC organisation structure;
- Salary bands and senior posts;
- Government Procurement Card transactions;
- All expenditure.

g) Ministerial Directions

There were no Ministerial directions given in 2017-18.

h) Tax Arrangements for Public Sector Appointees

The Alexander Review, published in May 2012, made a number of recommendations to ensure that the highest standards of integrity could be demonstrated in the tax arrangements of senior public appointees. I can confirm that all of ESRC's senior staff are paid through a formal payroll facility and that arrangements are in place through retained HR to provide assurance that appropriate tax arrangements are in place to cover any other appointees covered by the report.

In 2017-18, ESRC identified no contractors who fell within the Alexander Review criteria.

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 through the payroll.

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

i) 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, ESRC have reviewed their use of analytical modelling in 2017-18 and have not identified any that were considered to be business critical.

j) Financial Constraint

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

k) Regularity and Propriety

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

ESRC follows the harmonised Counter Fraud & Bribery policy which is subject to annual review by the PSU Head of Risk and Governance. All staff are reminded of the policy on an annual basis, which is available to all staff 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. E-Learning awareness was rolled out to all staff during 2017-18 with the PSU Risk and Governance team undertaking additional training.

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, ESRC has established a harmonised Whistleblowing Policy. The Whistleblowing policy encourages and enables employees to speak out when they encounter or suspect malpractice. It guarantees whistleblowers protection consistent with Public Interest Disclosure Act and facilitates whistleblowing through a number of routes.

I can confirm that for 2017-18:

- 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 ESRC or within UK SBS which impacted on ESRC;
- all grants up to £10m, made to members of Council, Committees or Grants Delivery Group were approved by the ESRC's Chair of Audit Committee in accordance with Council's procedures for such grants.

5. UK Research and Innovation

The Higher Education and Research Bill, which included the proposal for the creation of UK Research and Innovation (UKRI) on 1st April 2018, received Royal Assent on 27th April 2017. UKRI will operate across the whole of the UK with a combined budget of more than £6 billion and is bringing together the seven Research Councils, Innovate UK and a new organisation, Research England. UKRI intends to be an outstanding organisation that ensures the UK maintains its world-leading position in research and innovation.

Our present current research funding landscape is a success and key elements of it will remain including controls existing in 2017-18 which will continue in 2018-19. UK and International asset transfers are well underway and are scheduled to complete before October 2018, during which time the existing legacy bodies will remain legal entities. The structures and committees for the internal governance of UKRI are all agreed and terms of reference exist for the main committees (the Strategy Committee, the Investment Committee, the Finance and Operations Committee and the Audit, Risk, Assurance and Performance Committee (ARAPC)).

6. Professional Support Unit (PSU)

The PSU, hosted by AHRC, provides professional services to 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 2017-18 delegations from the PSU Councils which allowed the services to be delivered.

During 2017-18 the Head of PSU attended Audit Committee and Directors' Group, which allowed governance issues to be discussed and challenged. The PSU is overseen by a Management Committee comprising the Chief Executive Officers (CEOs) and a Director from each of the PSU Councils, which meets quarterly. The Management Committee 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 2017-18. The statement provides assurance to the CEOs that the PSU has in place appropriate systems and controls to support the services being delivered.

During 2017-18 the PSU was fully engaged in the UKRI Transition Programme, with staff fully contributing to the work streams, with the PSU Project Office providing a significant amount of support to the various working groups that have been created. PSU has continued to provide support to ESRC; however, with the increasing pressures on PSU staff and with staff seeking opportunities within the UKRI Transition Programme, the resilience of PSU service delivery has been tested and regularly monitored through the PSU Senior Management Team with regular reporting to the PSU Management Committee. There were no issues in respect of service delivery raised with PSU through the PSU Management Committee.

7. Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of governance, risk management and other internal controls at the ESRC to ensure a sound system of internal control is being maintained. In 2017-18 this review has been informed by the work of the: ESRC's Director; the Audit Committee, the internal audit service, the National Audit Office and cross-Council assurance programmes. In addition, I liaised closely with the previous Interim Chief Executive Officer and received support from the Chair of Audit Committee and colleagues. The conclusion of my review is covered in the sections which follow.

a) Stewardship Reporting

As part of the assurance process I have received an annual report from the Director for Research Strategy and International, who also served as the interim Chief Executive Officer, on the governance and internal control framework that has been in operation.

Within Financial Control, Budgeting and Reporting was assessed as 'Partially Satisfied' as the resources within PSU Finance have been become stretched. Whilst this has not led to a specific problem, some responses have not been as rapid and effective as we would have liked. All other areas of financial control were assessed as 'Fully Satisfied', as were the following areas:

- Knowledge and Information Management;
- Human Resources;
- Health and Safety;
- Engaging with Users / Promotion of Science;
- Planning;
- Research Funding / Postgraduate Training / Knowledge Exchange.

I am content that the 2017-18 report provides me with reasonable assurance that a sound framework has operated throughout the year. The issues identified for improvement will be taken forward during 2018-19 as part of the operational arrangements within UKRI. Attention will be needed to ensure that ESRC's needs as a Council of UKRI can be fully supported by these new arrangements.

b) Audit Committee

I attend Audit Committee and no major issues of concern have been raised with me by the committee that require disclosure here.

c) Internal Audit

Internal Audit is provided by The Government Internal Audit Agency (GIAA). The Head of Internal Audit is required to provide me with an opinion on the overall adequacy and effectiveness of the ESRC'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 GIAA provides assurance in two areas: core ESRC activities and cross-Council activities with an ESRC involvement.

In 2017-18, based on the audit work covered below, GIAA was able to provide ESRC with an overall Moderate Level of assurance on the adequacy and effectiveness of ESRC's internal controls, risk management and governance processes.

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

Core ESRC Audits

The core audits undertaken in 2017-18 were:

- PSU – Financial Accounting and Management – Moderate Assurance;
- PSU – Commissioning of Large Infrastructure Projects – Moderate Assurance;
- Readiness for Change – Moderate Assurance;
- PSU – Cyber Security Application and Compliance – Moderate Assurance;
- Follow up of Audit Recommendations.

All accepted recommendations in relation to the above audits have implementation plans in place. As reported in the 2016-17 Governance Statement, the audit on Information Management received Limited Assurance. It has been agreed with GIAA that the recommendations that remain open have been superseded and will now be taken forward by UKRI as they develop their Information Management policy.

Cross-Council Audits

In 2017-18, GIAA carried out 23 cross-Council activities that were relevant to ESRC.

The following audits received Limited Assurance and where appropriate ESRC will work with UKRI colleagues to ensure that the issues raised are fully addressed:

- Transfer of Assets, Liabilities and Regulatory Permissions to UKRI;
- Change Management: RCUK Digital and Technology Project (Phase 1);
- Change Management: RCUK Digital and Technology Project (Phase 2);
- General Data Protection Regulation (GDPR): Implementation Project (Phase 3);
- Retained Function Assurance; GPC and iExpenses.

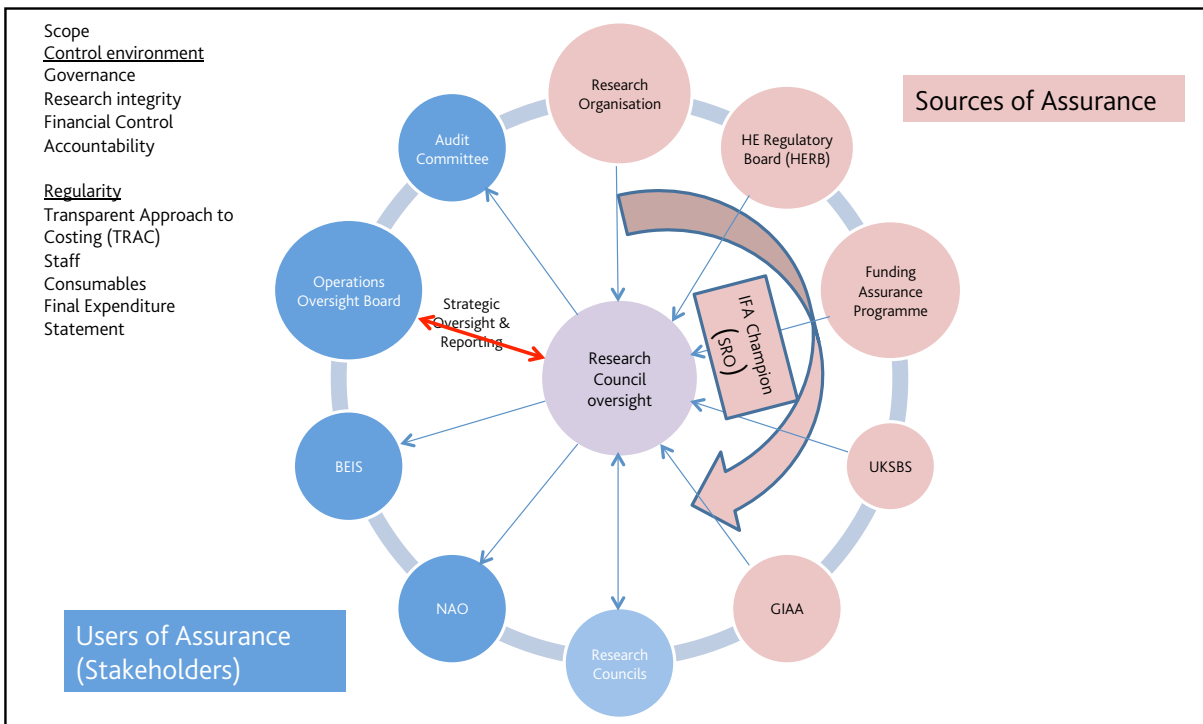
Where recommendations relate specifically to ESRC, their implementation is closely monitored by PSU. The implementation of recommendations of a cross council nature is monitored through the cross Council Governance, Risk, Assurance & Improvement Network or through the appropriate functional governance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

d) Funding Assurance

Across the RCUK community, research funding totals £3.3bn, of which £231m relates to ESRC. The funding landscape has two major funding streams: 1. Grants administered through the Siebel system c£202m and awarded to eligible Research Organisations (ROs); 2. Funding distributed outside the Siebel system c£29m including Strategic partnerships.

The Funding Assurance Working Group (FAWG) has continued to review the Integrated Funding Assurance (IFA) framework and improve the approach to IFA. This framework is predicated on establishing appropriate accountability within the Research Organisation in receipt of funding and collating assurance from a range of sources (see pink in Figure 1) for key stakeholders (see blue in Figure 1).

Figure 1: IFA Framework



Siebel Grants

The International Assurance sub-group, (including the funding assurance team) has continued to develop and refine the approach to due diligence and assurance for overseas funding.

The assurance provided through this framework indicates a very low level of current and historic errors for all Councils. In his report the Head of Funding Assurance provides Moderate Assurance based upon the programme of work undertaken.

Some of the key changes during the year have been:

- Amendments to the grant terms and conditions – to provide clarity on Research Council's expectations relating to due diligence and assurance;
- Auditing of UK research organisations' approach to due diligence and assurance;
- Development of draft international funding assurance policy, framework and process;
- Increased resources for funding assurance team;
- Further development of the processes relating to GCRF.

In addition to the Research Councils demonstration of compliance to the Cabinet Office Minimum Grant Standards in 2017, they have also been taking part in the Grants Accelerator work. Data has been provided evidencing the Councils overall self-scoring rates of established/advanced, which will be used as part of the overall BEIS assessment.

Non-Siebel awards/funding

Collaborative research with other public sector bodies including BEIS Partner Organisations represents the major part of ESRC non-Siebel funding (£16m) and these organisations already have a well-managed control and audit regime in accordance with 'Managing Public Money'. No issues were identified in 2017-18.

The remaining expenditure is covered by contracts with specific conditions and agreements. No issues were identified in 2017-18.

Audit Activity

During 2017-18 GIAA conducted two audits relevant to the IFA framework:

- Retained Function: Grants Processing (Moderate Assurance);
- Integrated Funding Assurance: Non-Siebel Funding Activity (Moderate Assurance).

The recommendations from the report will be taken forward as part of the assurance work within UKRI.

Summary

By taking assurance from the Higher Education Regulatory Bodies that the control systems within HEIs are working effectively and combining this with the transaction-level testing undertaken by the Funding Assurance Programme (FAP), Research Councils are able to provide a high level of assurance to the public that funds are being spent in accordance with the principles contained within 'Managing Public Money'.

The assurance provided through the IFA framework indicates a number of funding pressures, and the very nature of the activities is that they are complex and novel. Nevertheless, I am reassured through the mechanisms described here that they are being managed in an appropriate manner and that there are no major issues that warrant reference here.

e) UK Shared Business Services Ltd (UK SBS) Assurance

UK SBS Ltd (UK SBS) provides processing services in human resources, procurement, payroll, finance and IT to all 7 Research Councils.

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

To provide additional assurance, GIAA has reviewed the adequacy and effectiveness of controls operated by the retained functions within the Research Councils, the outcomes of which were:

- Grants Processing – Substantial;
- Payroll – Moderate;
- Human Resources – Moderate;
- Government Procurement Card and iExpenses – Limited;
- Order and payment processing – Moderate;
- Procurement – Moderate.

The accepted audit recommendations in these areas will be taken forward in 2018-19.

The GPC and iExpenses audit received Limited Assurance. The recommendations have either now been closed or identified for cross-Council action during 2018-19.

f) External Audit

The ESRC Annual Report and Accounts are 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.

8. Conclusion

The conclusion of my review is that ESRC's overall governance risk management and internal control structures support the proper spending of public money and the principles of economy, efficiency and effectiveness. I can provide assurance that the governance and control structures in place support the achievement of ESRC's policies, aims and objectives and that effective plans for continuous improvement are in place. I received a stewardship report from the previous, interim Chief Executive Officer, Professor Tony McEnery, that provided me with a reasonable and acceptable level of assurance. The challenge over the coming year will be for ESRC to manage the changing governance arrangements created by the new structures within UKRI, and seize the opportunities to support social science to continue to build on its strengths and improve outcomes for the economy and society.



Professor Jennifer Rubin
Accounting Officer
26 June 2018

Remuneration and Staff Report 2017-2018

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 ESRC, although remuneration is made through the ESRC 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 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, oversees 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 ESRC, 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.

From 01 April 2018 the staff, assets and activity of the Research Councils will move to a new Non-Departmental Public Body called UK Research and Innovation (UKRI). The Research Councils will have their Royal Charters revoked once 2017-2018 business has been finalised, such as the preparation, audit, review, and laying in Parliament, of the 2017-2018 Annual Report & Accounts. Therefore, for the period from April until the Autumn, the Research Councils will remain in existence as legal shells to allow for an orderly winding up of their affairs (in line with best practice and HMG guidance). This means the governing Councils must remain quorate and so a proportion of members have had their terms extended so they will remain in place. The Royal Charters are expected to be revoked in the Autumn and all appointments to the governing Councils will cease.

Remuneration

Council Chair and Council Members	Period of Appointment	2017-18 Remuneration £000	2016-17 Remuneration £000
Dr Alan Gillespie – Chair of Council	10-06-09 – 31-10-18	15-20	15-20
Mr Martin Coleman	01-04-10 – 30-11-16	-	0 - 5
Professor David Martin	01-08-10 – 30-11-16	-	0 - 5
Professor Linda Woodhead	01-08-13 – 31-07-16	-	0 - 5
Professor Tara Fenwick	01-08-13 – 31-07-16	-	0 - 5
Professor Dame Glynis Breakwell	01-08-11 – 31-03-18	5 - 10	5 - 10
Professor Simon Collinson	01-04-11 – 31-10-18	5 - 10	5 - 10
Mr Martin Rosenbaum	01-08-12 – 31-10-18	5 - 10	5 - 10
Professor Judith Squires	01-09-14 – 31-10-18	5 - 10	5 - 10
Ms Karin Woodley	01-02-15 – 31-10-18	5 - 10	5 - 10
Professor L Alan Winters	01-02-15 – 31-10-18	5 - 10	5 - 10
Mr Mark Robson	01-03-15 – 06-09-17	-	0 - 5
Professor Jane Falkingham	01-03-17 - 31-10-18	5 - 10	0 - 5
Professor Melinda Mills	01-03-17 - 31-10-18	5 - 10	0 - 5
Susan Penwarden	08-03-17 - 31-10-18	5 - 10	0 - 5
Professor Nigel Gilbert	01-03-17 - 31-10-18	5 - 10	0 - 5
Stephen Aldridge*	01-09-17 - 31-10-18	-	-
Dr James Richardson*	01-08-13 - 31-07-17	-	-

* Remuneration not payable as member works in the Civil Service
Mr Mark Robson resigned on 6 September 2017; his original tenure was to 28 February 2019

Chief Executive and ESRC Directors

The remuneration of the Chief Executive of ESRC 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 ESRC 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 the Chair of Audit Committee. Assessments are made using ESRC's Staff Performance Management process, taking into account the following:

- Benchmarking against comparators in other Research Councils.
- Annual increases agreed for other staff pay grades within ESRC.
- 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 Trades 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

The Chief Executive is contracted for the period 22 January 2018 to 31 October 2018. This is a part-time appointment at 0.8 FTE. In due course it is expected that Professor Rubin will transfer to the UKRI structure as Executive Chair.

Directors

All Directors are employees of the ESRC or have agreed secondment arrangements in place. The Chief Executive and all Directors are subject to a notice period of 3 months and any compensation awarded for early termination is subject to the terms and conditions of the Research Councils' Joint Superannuation Early Severance Scheme.

Remuneration of Directors Audited Information

Remuneration	2017-18					2016-17			
	FYE equivalent salary (£000)	Salary (£000)	Bonus (£000)	Pension benefits* (£000)	Total (£000)	Salary (£000)	Bonus (£000)	Pension benefits* (£000)	Total (£000)
Prof J Rubin ¹ , Chief Executive	115-120	20-25	-	4	25-30	-	-	-	-
Prof B J Elliott ² , Chief Executive	120-125	45-50	-	10	55-60	120-125	10-15	55	190-195
Mr P Sooben ³ , Director	75-80	20-25	-	1	20-25	75-80	-	42	115-120
Prof T McEnery ⁴ , Director Research	85-90	85-90	0-5	17	105-110	35-40	-	7	40-45

* 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 Professor Rubin is an employee of King's College London and is on secondment to ESRC from 22 January 18. The values shown above are the estimated amounts for the year (excluding Pension and NI Contributions) that will be due to King's College and only reflect her duties as Chief Executive Officer.

VAT will be payable on the total amount invoiced but is not included in the figures above. The secondment is fixed until 31 October 18 at 0.8 of 1 FTE.

The pension benefit disclosure for Professor Rubin is not equivalent to the pension benefit disclosure of the other ESRC directors, it is the reimbursement of the contribution ESRC makes to King's College, London in respect of Professor Rubin's pension.

² Professor Elliott left ESRC on 11 August 17.

³ Mr Sooben left ESRC on 25 June 17.

⁴ Professor McEnery is an employee of Lancaster University and is on secondment to ESRC from 01 October 16. He was appointed to the position of Chief Executive for the period following the resignation of Professor Elliott and the appointment of Professor Rubin. The values shown above are the amounts reimbursed (excluding Pension and NI Contributions) to Lancaster University and reflect his duties as Director of Research and Chief Executive. VAT is payable on the total amount invoiced but is not included in the figure above. The secondment is fixed until 31 October 18 at 0.8 of 1 FTE.

The pension benefit disclosure for Professor McEnery is not equivalent to the pension benefit disclosure of the other ESRC directors, it is the reimbursement of the contribution ESRC makes to Lancaster University in respect of Professor McEnery's pension. Professor McEnery has given notice of his intention to take up a new position with effect from 15 April 18. The bonus payment to Professor McEnery was awarded and paid in 2017-18 but relates to 2016-17.

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 includes any bonuses payable but excludes pension benefits accrued during the year.

	2017-18	2016-17
Banded Remuneration of highest-paid Director (£000)	£145-£150	£130-£135
Median Remuneration of ESRC workforce (£)	£30,491	£30,794
Range of Staff Remuneration (£)	£18,946 - 89,560	£15,263 - £134,532
Ratio	4.84	4.30

The change in ratio from the prior period is largely driven by the increased figure for directors salary, following the appointment of the new Chief Executive Officer. Directors' remuneration levels are made by external panel, outside of the control of ESRC as detailed on page 41.

Salary paid in 2017-18 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-imbusement of expenses, employer pension contributions and the cash equivalent transfer value of pensions. Due to the fact that Professor Elliott and Mr Sooben left ESRC in 2017-18, it has not been possible to calculate an average annual earnings figure.

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 ESRC Executive in 2017-18. In 2017-18 no employees received remuneration in excess of the highest-paid director (2016-17, 0).

Decisions on whether to award non-consolidated performance awards to Directors are made by the CEO in conjunction with the Remuneration Committee. Decisions are strictly performance based and made in accordance with Cabinet Office Guidance 'Senior Civil Service pay 2013/14' document published in March 2013 and Non-Consolidated Performance Related Pay (NCPRP) guidance set out in the Government's announcement in May 2010, as well as the annual Senior Salaries Review Body report and any guidance from HM Treasury, 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 by the CEO.

The Professional Support Unit (PSU) was created in the year 2013/14. The Head of the PSU, Mr G Raikes, is the Director responsible to each Research Council for all PSU services provided to that Council, and he reports to the CEO of each of the Councils supported by PSU. Mr Raikes' salary is paid by his employing Council (AHRC) and is disclosed in its Annual Report. A proportion of Mr Raikes salary is recharged across the PSU Councils as part of the agreed charging process. The remuneration of the Head of PSU is determined by the employing Council's Remuneration Committee. A PSU recharge is necessary to ensure each of the Council's costs fairly reflect the services received.

Pension Benefits

Chief Executive and Directors	Accrued pension at pension age as at 31.3.18 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31.3.18 £000	CETV at 31.3.17 £000	Real increase in CETV £000
Prof B J Elliott Chief Executive	5-10 No lump sum	0-2.5 No lump sum	101	91	5
Mr P Sooben Director	30-35 Plus lump sum 40-45	0-2.5 Plus lump sum 0	564	544	1

Mr Sooben left ESRC on 25 June 17. This has resulted in the CETV figures at 31.3.17 to be restated along with the real increase value.

Pension Schemes Unaudited Information

The employees of ESRC are automatically enrolled to 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 Joint Superannuation Service (JSS), with the associated Grant in Aid managed by BBSRC.

Employees may be in one of four defined benefit scheme arrangements, either a 'final salary' scheme (classic, classic plus or premium); or a career average scheme (nuvos). Pensions payable are increased annually in line with changes in the Consumer Prices Index (CPI). The employer contribution rate is agreed by the RCPS Management Board on the recommendation of the scheme actuary, 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 2017 to 31 March 2018 the rates and annualised earning brackets were as follows:

Annualised pensionable earnings	Classic % contribution rate before tax relief	Classic Plus, Premium & Nuvos % contribution rate before tax relief
Up to £15,000	4.60	4.60
£15,001 - £21,210	4.60	4.60
£21,211 - £48,471	5.45	5.45
£48,472 - £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 2017-18 was £603.23 (2016-17 £690.56).

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) have given permission for RCPS to continue 'as is' beyond April 2015.

For further details about the RCPS 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 ESRC in an independently administered scheme. It is not possible to identify the ESRC's share of the underlying assets and liabilities of any of the pension schemes. In the RCPS, ESRC 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 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 GAD 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 of the RCPS and therefore future employer contribution rates will be established once the scheme reforms are implemented, which is expected in April 2019. HM Treasury and BEIS granted the RCPS permission to continue for another year beyond March 2018 to enable continuing reform implementation planning.

For 2017-18, employer's contributions of £2.168m were payable to RCPS (2016-17 £2.122m) at 26% of pensionable pay for all the salary bands.

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.

Audited Information

ESRC Staff Report Staff Numbers & Related Costs

Staff Costs	2017-18 Total £'000	2016-17 Total £'000
Wages and Salaries	5,103	4,776
Social Security Costs	458	457
Other Pension Costs	1,195	1,115
Temporary Staff	11	10
Secondment Expenditure	307	87
Total Staff Costs as per Statement of Comprehensive Net Expenditure	7,074	6,445
Less recoveries in respect of outward secondments	(377)	(381)
Total Staff Costs after deduction of income received for secondments	6,697	6,064

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

All of ESRC'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 was as follows:

Staff Numbers	2017-18		2016-17		Total	
	ESRC	PSU	ESRC	PSU	2017-18	2016-17
Directly employed/core staff	140	4	125	5	144	130
Seconded in	3	-	1	-	3	1
Temporary Staff	-	-	1	-	-	1
Staff Numbers	143	4	127	5	147	132
Less seconded out	(11)	-	(7)	(1)	(11)	(8)
Staff Numbers	132	4	120	4	136	124

Staff Numbers	2017-18		2016-17		Total	
	Male	Female	Male	Female	2017-18	2016-17
Directors	0	0	1	1	0	2
Senior Managers	5	12	5	12	17	17
Other employees	34	93	28	83	127	111
Total Directly Employed/Core Staff	39	105	34	96	144	130

This table does not include seconded in/temp staff.

The AHRC hosts the PSU on behalf of AHRC, ESRC and EPSRC, 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 AHRC.

The number of exit packages agreed in 2017-2018:

Civil service compensation scheme analysis	Compulsory Redundancies		Other Departures		Total Departures		Cost of Total Packages	
	2017-18	2016-17	2017-18	2016-17	2017-18	2016-17	2017-18 £000	2016-17 £000
Value								
<£10,000	-	-	-	-	-	-	-	-
£10,000 – £24,999	-	-	-	-	-	-	-	-
£25,000 – £49,999	-	-	-	1	-	1	-	28
£50,000 – £99,999	-	-	-	-	-	-	-	-
£100,000 – £149,999	-	-	-	-	-	-	-	-
£150,000 – £200,000	-	-	-	-	-	-	-	-
Totals	-	-	-	1	-	1	-	28

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.

	2017-18	2016-17
Average number of staff during year	144	130
Total days lost to sickness	1,296	1,278
Average working days lost	9	10
Days lost to long-term absences	513	304

Common causes of absence	2017-18	
	Days lost	%
Anxiety/Stress Related	274	21
Cold/Cough/Flu	243	19
Headache/Migraine/Concussion	52	4
Gastrointestinal	41	3
Vomiting	35	3
Totals	645	50

Diversity and Equality

ESRC 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.

ESRC 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.

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

The Gender Pay Gap legislation (developed by the Government Equalities Office) introduced in April 2017 requires all employers of 250 or more employees to publish their gender pay gap for workers in scope as of 31 March 2018. More information about the UK's approach to the gender pay gap is available on the government website.

ESRC's gender pay gap report has been published on the external ESRC website and on the online government portal. This report explains our gender pay gap and puts it into an organisational context. The comparison of mean pay in ESRC shows a gap in favour of males of 2.6%, whilst a comparison of median pay shows no gap between males and females. The report also explains the plans within ESRC to address the pay gap.

The following work is already being done to address the gender pay gap and will continue:

- Adhering to policies and practices to support working parents and those returning from leave including flexible working, job sharing, parental leave, additional paid maternity and paternity leave.
- Continued provision of equality and diversity training for all staff. Equality and diversity awareness training is provided for all new staff and is included in recruitment panel interview training to enable staff to understand, identify and challenge unconscious gender bias.
- Our recruitment guidance clearly states our commitment to equal opportunity and all job opportunities are recruited openly across the organisation.

Employee Engagement

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

ESRC 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.

AHRC, EPSRC and ESRC actively participate in the Civil Service People Survey. Findings are discussed with all employees through Research Council working groups, and there is a continuous dialogue to ensure that employees are engaged on issues which affect them at work.

Health and Safety

ESRC 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 PSU Councils and has a continuous programme of inspections and engagement with employees in the three PSU 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.

Off-payroll Engagements

During the year ESRC had no off payroll arrangements.

Expenditure on Consultancy

During the year ESRC expenditure on consultancy totalled £nil (2016-17: £nil).

Off-payroll Engagements

During the year ESRC had no off payroll arrangements.

Trade Union Facility Time

These tables are provided under section 172A of the Trade Union and Labour Relations (Consolidation) Act 1992 and make provision in connection with the imposition of requirements on public authorities to publish information in relation to facility time taken by trade union officials.

Table 1 - Relevant union officials

What was the total number of your employees who were relevant union officials during the relevant period?

Number of employees who were relevant union officials during the relevant period	Full-time equivalent employee number
1	144

Table 2 - Percentage of time spent on facility time

How many of your employees who were relevant union officials employed during the relevant period spent a) 0%, b) 1%-50%, c) 51%-99% or d) 100% of their working hours on facility time?

Percentage of time	Number of employees
less than 1%	1
1-50%	0
51%-99%	0
100%	0

Table 3 - Percentage of pay bill time spent on facility time

Provide the figures requested in the first column of the table below to determine the percentage of your total pay bill spent on paying employees who were relevant union officials for facility time during the relevant period.

Provide total cost of facility time	£158
Provide total pay bill (£000)	£7,074
"Provide the percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) × 100"	0.02%

Table 4 - Paid trade union activities

As a percentage of total paid facility time hours, how many hours were spent by employees who were relevant union officials during the relevant period on paid trade union activities?

Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as (total hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) × 100	0.00%
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Parliamentary Accountability and Audit Report

Audited Information

Regularity of Expenditure

I can confirm that for the financial year ended 31 March 2018, 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 2017-18.

Losses and Special Payments

There were no losses or special payments that need to be reported.

Contingent liabilities

ESRC has no contingent liabilities as at 31 March 2018.



Professor Jennifer Rubin
Accounting Officer
26 June 2018

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

Opinion on financial statements

I certify that I have audited the financial statements of the Economic and Social Research Council for the year ended 31 March 2018 under the Science and Technology Act 1965. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of Economic and Social Research Council's affairs as at 31 March 2018 and of the net operating expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Science and Technology Act 1965 and Secretary of State directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the income and expenditure 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.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Economic and Social Research Council in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Economic and Social Research Council and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Economic and Social Research 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.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Science and Technology Act 1965. 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error; design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error; as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Economic and Social Research Council's internal control.

-
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
 - conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Economic and Social Research Council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
 - evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit. In addition, I am required to obtain evidence sufficient to give reasonable assurance that the income and expenditure reported in the financial statements have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

Other information

The Economic and Social Research Council and the Accounting Officer are responsible for the other information. The other information comprises information included in the annual report, other than the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with the Secretary of State directions made under the Science and Technology Act 1965;
- in the light of the knowledge and understanding of the Economic and Social Research Council and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in 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 Accountability Report 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

Date 5 July 2018

Comptroller and Auditor General, National Audit Office, 157-197 Buckingham Palace Road, Victoria, London, SW1W 9SP

Financial Statements

Accounts

Statement of Comprehensive Net Expenditure for the year ended 31 March 2018

	Note	2017-18 £000	2016-17 £000
Total Operating Income	6	(28,206)	(30,948)
Staff Costs	3	7,074	6,445
Purchase of Goods and Services	5	3,662	3,368
Depreciation and Impairment Charges	7	91	90
Research and Development	4	230,959	215,768
Notional Service Charge	-	1,021	1,292
Total Operating Expenditure	-	242,807	226,963
Net Operating Expenditure	-	214,601	196,015
	-	-	-
Net (gain)/loss on revaluation of non-current assets	-	(59)	(36)
Total Comprehensive Expenditure for the Year	-	214,542	195,979

The notes on pages 58 to 70 form part of these accounts

Statement of Financial Position as at 31 March 2018

	Note	As at March 2018 £000	As at March 2017 £000
Non-Current Assets			
Property, Plant and Equipment	8	3,102	3,134
Total Non-Current Assets	-	3,102	3,134
Current Assets			
Trade and Other Receivables	9	4,816	7,163
Cash and Cash Equivalents	10	11,650	8,040
Total Current Assets	-	16,466	15,203
Total Assets	-	19,568	18,337
Current Liabilities			
Trade and Other Payables	11	(26,017)	(23,719)
Total Current Liabilities	-	(26,017)	(23,719)
Total Assets less Current Liabilities	-	(6,449)	(5,382)
Assets less Total Liabilities	-	(6,449)	(5,382)
Taxpayers' Equity			
General Fund	-	(9,059)	(8,013)
Revaluation Reserve	-	2,610	2,631
Total Taxpayers Equity	-	(6,449)	(5,382)



Professor Jennifer Rubin
Accounting Officer
26 June 2018

Accounts

Statement of Cash Flows for the year ended 31 March 2018

	Note	2017-18 £000	2016-17 £000
Cash Flows from Operating Activities			
Net Operating Expenditure for the Year	SOCNE	(214,601)	(196,015)
Adjustment for Non-Cash Transactions	7	91	90
(Increase)/Decrease in Trade and Other Receivables	9	2,347	(406)
Notional Service Charge	-	1,021	1,292
Increase/(Decrease) in Trade and Other Payables	11	2,298	192
Net Cash Outflow from Operating Activities	-	(208,844)	(194,847)
Cash Flows from Financing Activities			
Grant in Aid Received from BEIS	-	212,454	194,644
Net Financing	-	212,454	194,644
Net Increase/(Decrease) in Cash and Cash Equivalents in the period	10	3,610	(203)
Cash and Cash Equivalents at the beginning of the period	10	8,040	8,243
Cash and Cash Equivalents at the end of the period	10	11,650	8,040

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2018

	Revaluation Reserve £000	General Reserve £000	Total Reserves £000
Balance at 1 April 2016	2,673	(8,012)	(5,339)
Funding from BEIS	-	194,644	194,644
Net Expenditure for the Year	-	(196,015)	(196,015)
Notional Service Charge	-	1,292	1,292
Transfer between Reserves	(78)	78	-
Gains/Losses recognised in the SOCNE	36	-	36
Balance at 31 March 2017	2,631	(8,013)	(5,382)
Balance at 1 April 2017	2,631	(8,013)	(5,382)
Funding from BEIS	-	212,454	212,454
Net Expenditure for the Year	-	(214,601)	(214,601)
Notional Service Charge	-	1,021	1,021
Transfer between Reserves	(80)	80	0
Gains/Losses recognised in the SOCNE	59	-	59
Balance at 31 March 2018	2,610	(9,059)	(6,449)

Notes to the Accounts

I. 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 (FRoM) and in so far as these requirements are appropriate. Where the FRoM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the ESRC 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 FRoM 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 ESRC.

These accounts have been prepared under the historical cost convention, modified to account for the revaluation of Non-Current Assets, where material.

The financial statements are presented in £ sterling and all values are rounded to the nearest thousand, except where indicated otherwise. This may result in small cumulative rounding differences between notes.

Going Concern

ESRC 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 ESRC for this period. On the basis of this publication, ESRC 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 2018-19 allocation was received from BEIS in March 2018, detailing the ESRC ring-fenced budgets.

The Higher Education and Research Bill received Royal Assent on 27 April 2017 confirming the creation of a single executive non-departmental public body, UK Research and Innovation (UKRI). Under the Higher Education and Research Act 2017, UKRI incorporated the assets, liabilities and functions of the seven Research Councils, Innovate UK and Government's funding of research in higher education from 1 April 2018.

Confirmation of UKRI's budget allocation for 2018-19 to 2020-21 was received from BEIS in March 2018, which shows continued funding for the functions exercised by ESRC for this period.

As the functions previously provided by ESRC will continue to be provided by UKRI with the same assets and liabilities, it remains appropriate for the financial statements of ESRC for the financial year ended 31 March 2018 to be prepared on a going-concern basis in accordance with the FRoM issued by HM Treasury.

Adoption of Standards and Changes in Policy

There have been no FRoM changes during 2017-18 that have impacted the accounts of ESRC.

Effective for Future Financial Years

In accordance with FRoM, 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, IFRS 15: 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 FRoM, and the adoption date of IFRS 16 is anticipated to be 2019-20 but is not yet endorsed by EU). Decisions remain for HM Treasury on whether or how to interpret/adapt IFRS 16 for FRoM bodies, and what allowances to make for transitional relief. ESRC's assessment is that these new IFRS will not have a material impact on ESRC, their adoption will be taken forward within UKRI.

b. Financing and Income

The FReM requires Non-Departmental Public Bodies to account for Grant in Aid as financing. In ESRC's case, this includes Grant in Aid from BEIS.

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 ESRC'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 in PPE includes the purchase of IT equipment, office equipment, fixtures and fittings, construction and service projects, equipment and land and buildings valued at £10,000 or more.

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

Depreciation is not charged on assets under construction until the asset is 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.

Freehold Land	Not depreciated
Freehold Buildings	60 years
IT Equipment	3 years
Fixtures and Fittings	5 years

Land and buildings, and major items of equipment are professionally revalued every five years, at which time the remaining useful life of each revalued asset is also reassessed. The last valuation was in December 2015, conducted by GVA Grimley Ltd, using a fair value basis for the valuation. Appropriate indices are used between formal valuations.

Intangible Assets

Capital expenditure on intangible assets includes the purchase of software, software licences, data sets and website development valued at £10,000 or more.

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

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:

Software	5 years
Websites	5 years
Data Sets	5-10 years

Notes to the Accounts

Amortisation is not charged on assets under construction until the asset is 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.

Major intangibles are professionally revalued every five years, at which time the remaining useful life of each revalued asset is also reassessed. Appropriate indices are used between formal valuations.

Impairment of Non-Current Assets

Impairment losses not resulting from a loss of economic value or service potential are taken to the Revaluation Reserve to the extent that there is a credit in that reserve for that asset or portfolio of assets. Impairment losses that arise from a clear consumption of economic benefit are charged to the Statement of Comprehensive Net Expenditure. Increases in value arising on revaluation are taken to the Revaluation Reserve except when they reverse an impairment for the same asset previously recognised in expenditure, in which case they are credited to the extent of the decrease previously charged there.

d. Ownership of Equipment or Facilities Purchased with Council Grants

Equipment purchased by an organisation with research grant funds supplied by ESRC belongs to the organisation and is not included in the ESRC's PPE. Through the conditions of grant applied to funded organisations, ESRC 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. ESRC 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, ESRC 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 ESRC 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 13.

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

f. Financial Instruments

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 ESRC 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 ESRC is established or when the corresponding assets or expenses are recognised.

g. Accounting Estimates and Judgements

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

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

h. Value Added Tax (VAT)

As ESRC is partially exempt for VAT purposes, irrecoverable VAT is charged to the relevant expenditure category or included in the capitalised purchase cost of PPE. Where output tax is charged or input tax is recoverable the amounts are stated net of VAT. ESRC 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) and the Prudential and Scottish Widows Pension 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 Service Charge

Ownership of UK SBS transferred from the Research Councils to BEIS on 6 March 2013. The UK SBS monthly service charge to ESRC is now deducted from ESRC'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.

Notes to the Accounts

2. Statement of Operating Costs by Operating Segment

	Research £000	Postgraduate £000	Other Programme £000	Other Administration £000	Total 2017-18 £000
Income	-	-	(28,094)	(112)	(28,206)
Staff Costs	-	-	5,922	1,152	7,074
Purchase of Goods and Services	-	-	2,051	1,611	3,662
Depreciation, Amortisation and Impairment	-	-	-	91	91
Research and Development	186,173	44,786	-	-	230,959
Notional Service Charge	-	-	-	1,021	1,021
Total Net Operating Expenditure	186,173	44,786	(20,121)	3,763	214,601

	Research £000	Postgraduate £000	Other Programme £000	Other Administration £000	Total 2016-17 £000
Income	-	-	(30,874)	(74)	(30,948)
Staff Costs	-	-	5,074	1,371	6,445
Purchase of Goods and Services	-	-	1,849	1,519	3,368
Depreciation, Amortisation and Impairment	-	-	-	90	90
Research and Development	169,459	46,084	225	-	215,768
Notional Service Charge	-	-	-	1,292	1,292
Total Net Operating Expenditure	169,459	46,084	(23,726)	4,198	196,015

The segmental analysis shows how administration expenditure and income are incurred in respect of programme delivery and general administration. Programme expenditure is further analysed by principle area. These are the categories that are utilised during the internal accounting process.

3. Staff Costs

	2017-18 £000	2016-17 £000
Wages and Salaries	5,421	4,873
Social Security Costs	458	457
Other Pension Costs	1,195	1,115
Total Staff Costs	7,074	6,445

Further information on staff costs can be found on page 45 of the Remuneration and Staff Report. The reported total for social security costs includes payments totalling £9k in respect of the Apprenticeship Levy Scheme.

4a Research

	2017-18	2016-17
	£000	£000
Responsive	37,036	37,860
Strategic & Collaborative	57,306	55,078
Methods & Infrastructure	36,808	39,826
International & Others	1,049	2,025
Training & Skills	10,502	12,495
Knowledge Exchange	15,826	11,110
Newton	6,548	5,282
Global Challenges Research Fund	18,314	3,872
Other	2,314	
Total Expenditure on Research	185,703	167,548

4b Postgraduate Awards

	2017-18	2016-17
	£000	£000
Training & Skills	43,456	44,384
Newton	1,330	1,700
Total Expenditure on Postgraduate Awards	44,786	46,084

4c Research Fellowships

	2017-18	2016-17
	£000	£000
Responsive	(174)	356
Strategic & Collaborative	153	1,477
Training & Skills	-	78
International & Others	38	-
Other	316	-
Total Expenditure on Research Fellowships	333	1,911

4d International Subscriptions

	2017-18	2016-17
	£000	£000
Strategic & Collaborative	81	75
International & Others	54	150
Methods & Infrastructure	2	-
Total Expenditure on International Subscriptions	137	225

Notes to the Accounts

5 Purchase of Goods and Services

	2017-18	2016-17
	£000	£000
Accommodation	231	266
Professional services	105	204
IT costs, support costs and telecommunications	206	175
Training and other staff costs	259	221
UK travel & subsistence	405	388
Overseas Travel & subsistence	104	99
Advertising and publicity	908	584
External audit fees	47	47
Catering services	99	83
Other costs	250	341
Other audit costs	84	68
Outsourced programme management services	964	892
Total Expenditure on Goods and Services	3,662	3,368

6 Income

	2017-18 £000	2016-17 £000
Fee Income	(55)	(72)
Current Grants from Central Government	(184)	(8,201)
Current Grants from Private-Sector Companies	(1,113)	(194)
Income from other Government Departments	(26,854)	(22,481)
Total	(28,206)	(30,948)

7 Depreciation Charges

	2017-18 £000	2016-17 £000
Depreciation Property, Plant and Equipment	91	90
Total	91	90

Notes to the Accounts

8 Property, Plant and Equipment

	Land £000	Buildings £000	Furniture & Fittings £000	Total £000
Cost or Valuation at 1 April 2017	969	2,811	-	3,780
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations	24	46	-	70
At 31 March 2018	993	2,857	-	3,850
Depreciation at 1 April 2017		646		646
Charge in the year	-	91	-	91
Disposals	-	-	-	-
Revaluations	-	11	-	11
At 31 March 2018	-	748	-	748
Net book value at 31 March 2018	993	2,109		3,102

	Land £000	Buildings £000	Furniture & Fittings £000	Total £000
Cost or Valuation at 1 April 2016	958	2,780	3	3,741
Additions	-	-	-	-
Disposals	-	-	(3)	(3)
Revaluations	11	31	-	42
At 31 March 2017	969	2,811	-	3,780
Depreciation at 1 April 2016		550	3	553
Charge in the year	-	90	-	90
Disposals	-	-	(3)	(3)
Revaluations	-	6	-	6
At 31 March 2017	-	646	-	646
Net book value at 31 March 2017	969	2,165	-	3,134

9 Trade Receivables and Other Current Assets

	31 March 2018	31 March 2017
	£000	£000
Trade Receivables	3,208	2,966
Prepayments and Accrued Income	1,599	4,187
Other Receivables	9	10
Total Receivables	4,816	7,163

10 Cash and Cash Equivalents

	31 March 2018	31 March 2017
	£000	£000
Balance at 1 April 2017	8,040	8,243
Net change in cash and cash equivalents	3,610	(203)
Balance at 31 March 2018 Held in Government Banking Services (GBS)	11,650	8,040

11 Trade Payables and Other Current Liabilities

	31 March 2018	31 March 2017
	£000	£000
VAT	(9)	(56)
Trade Payables	(2,884)	(2,801)
Other Payables	(156)	(171)
Accruals and Deferred Income	(22,968)	(20,691)
Total Payables	(26,017)	(23,719)

12 Third Party Asset

	31 March 2018	31 March 2017
	£000	£000
Balance at 1 April 2017	474	518
Gross Inflow	-	-
Gross Outflow	(474)	(44)
Balance at 31 March 2018	-	474

In 2014-15, €824,117 was transferred to ESRC, who has been appointed coordinator of the EU-India Platform for the Social Sciences and Humanities (EqUIP), European Union Grant Agreement Number 613236. The funds held on behalf of the third party are recognised and recorded in GBP, ESRC's functional currency. These were not ESRC assets and were not included in the Financial Statements for 2016-17. During the course of 2017-18, final payments were made to the various contributors and a small surplus was returned to the EU, leaving the zero balance as shown in the table.

Notes to the Accounts

13 Other Financial Commitments

The payments to which the ESRC is committed during 2017-18, analysed by the fiscal period during which the commitment expires, are as follows:

Research Awards	2017-18 £000	2016-17 £000
2017-18	-	144,711
2018-19	148,858	79,339
2019-20	87,642	14,731
Later Years	81,044	38,919
Postgraduate Training		
2017-18	-	42,647
2018-19	32,627	26,151
2019-20	20,897	11,113
Later Years	14,953	11,357
Other		
2017-18	-	9,213
2018-19	19,250	9,235
2019-20	12,709	4,168
Later Years	16,874	2,521

14 Financial Instruments

The majority of ESRC's funding requirements are met through the Grant in Aid mechanism provided by BEIS. As a consequence, there are very few circumstances that would necessitate the purchase or trade of financial instruments.

No financial instruments were held or traded for the period ending 31 March 2018.

15 Related Party Transactions

ESRC 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 by HM Treasury.

For the purpose of IAS 24, BEIS and its partner organisations are regarded as related parties. During the year, ESRC has had various material transactions with BEIS and with other entities for which BEIS is regarded as their parent department, as follows: Arts and Humanities Research Council; Biotechnology and Biological Research Council; Department for Business, Enterprise, Innovation and Strategy; Engineering and Physical Sciences Research Council; Medical Research Council; Natural Environment Research Council; Science and Technology Research Council; Innovate UK. In addition, ESRC has had various material transactions with the UK SBS Ltd.

These Accounts provide disclosure of all material financial transactions with senior executive staff and all Council members.

During the year, ESRC did not enter into any transactions with any senior executive staff.

Awards and Fellowships

Table A

Lists totals of material transactions where the individual / group had a direct interest in an ESRC award.

Council Member	Institution	Total amount of award £000	Amount paid in 17-18 £000
Professor Jane Falkingham	University of Southampton	12,831	2,085
Professor Nigel Gilbert	University of Surrey	3,119	1,097
Professor Melinda Mills	University of Oxford	586	202

Table B

There were no material financial transactions with any related party of the individuals/groups.

Table C

Lists total of material transactions where the individual/group held a position of influence

Council Member	Institution	Amount paid in 17-18 £000
Professor Jennifer Rubin	Kings College London	5,538
Professor Simon Collinson	University of Birmingham	3,219
Professor Jane Falkingham	University of Southampton	6,888
Professor Nigel Gilbert	University of Surrey	4,340
Professor Melinda Mills	University of Oxford	9,331
Professor Judith Squires	University of Bristol	6,776
Professor Alan Wood	University of Sussex	2,295
Professor Tony McEnergy	Lancaster University	2,757

Notes to the Accounts

16 Events After the Reporting Period

In accordance with the requirements of IAS 10 'Events after the Reporting Period', post Statement of Financial Position events are considered up to the date on which the Accounts are authorised for issue; this is interpreted as the same date as the date of the Certificate of the Comptroller and Auditor General.

As set out in Note 1a - 'Going concern', under the Higher Education and Research Act 2017, UKRI incorporated the assets, liabilities and functions of the seven Research Councils, Innovate UK and Government's funding of research in higher education from 1 April 2018.



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