



# Arts & Humanities Research Council Annual Report & Accounts 2017-18





Arts & Humanities  
Research Council

# Arts & Humanities Research Council Annual Report & Accounts 2017-18

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# Contents



## Performance Report

|                      |    |
|----------------------|----|
| Overview             | 7  |
| Performance Analysis | 16 |

## Accountability Report

|   |    |
|---|----|
| Corporate Governance Report                   | 21 |
| Governance Statement                          | 24 |
| Remuneration and Staff Report                 | 34 |
| Parliamentary Accountability and Audit Report | 45 |

## Financial Statements

|  |    |
|--|----|
| Statement of Comprehensive Net Expenditure | 50 |
| Statement of Financial Position            | 51 |
| Statement of Cash Flows                    | 52 |
| Statement of Changes in Taxpayers' Equity  | 53 |
| Notes to the Accounts                      | 54 |

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

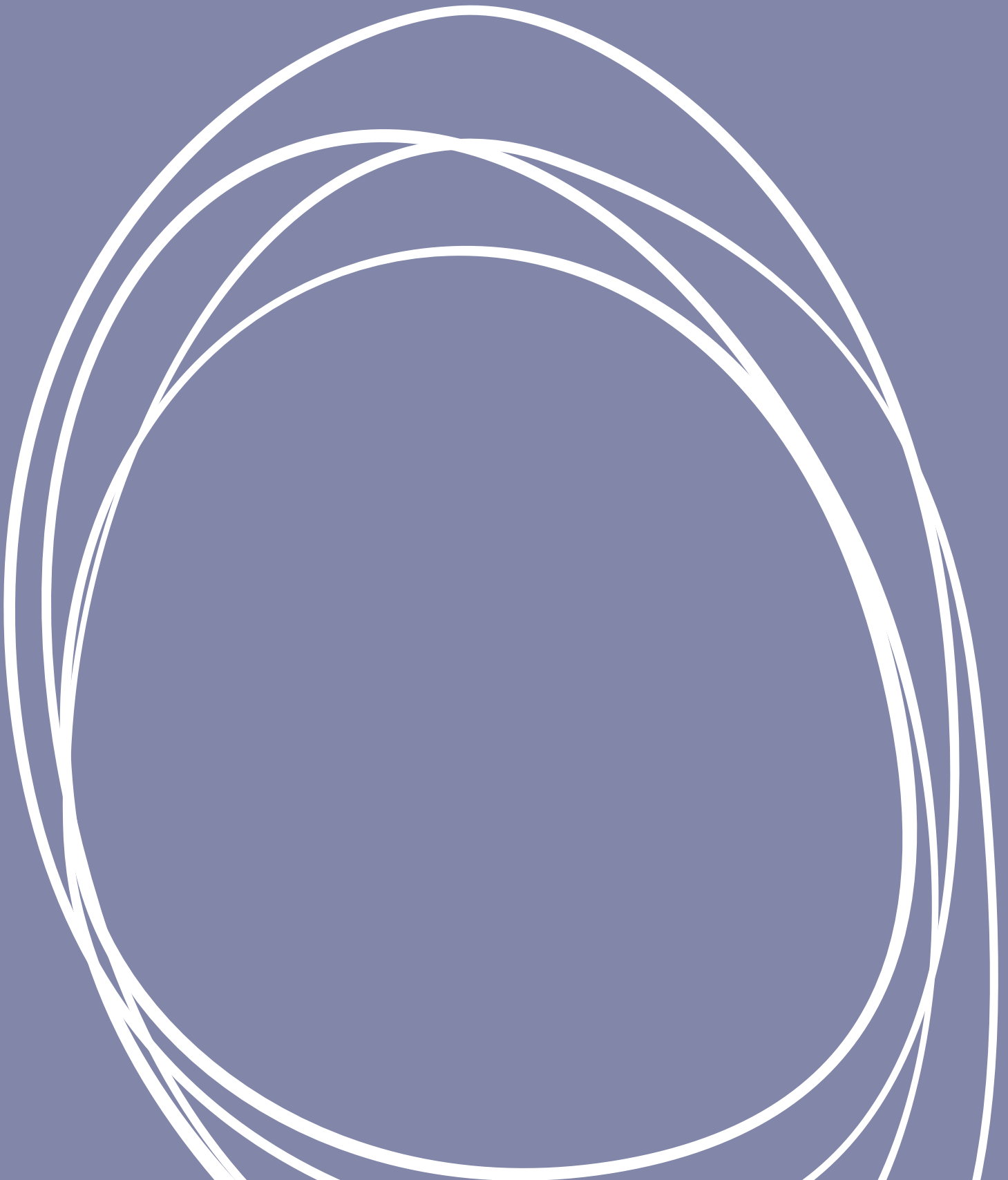
The AHRC is a non-departmental public body (NDPB) sponsored by the Department for Business, Energy & Industrial Strategy (BEIS), along with the other six Research Councils. It is governed by its Council, which is responsible for the overall strategic direction of the organisation.

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

# Performance Report

Overview

Performance Analysis





# Chairman's FOREWORD

As the Arts and Humanities Research Council (AHRC) embarks on one of its most significant years since our creation in 2005 – and we join UK Research and Innovation (UKRI) – we can draw great strength from our achievements over the last year.

There has been the call for the new Doctoral Training Partnerships, a vital investment in the next generation of academic talent, and sizeable new research opportunities for our community and their partner organisations.

We can proudly wave the flag for many new initiatives which champion arts and humanities research. One of the most significant achievements is the Industrial Strategy Challenge Fund's Audience of the Future; not just for what it has achieved so far, but because it demonstrates how we can succeed in the future.

Along with our partners at the Engineering and Physical Science Research Council, the AHRC announced in January 2018 that this call would fund 32 exciting new research projects exploring the future of immersive experiences.

These range from using virtual reality to recreate the benefits of outdoor group singing, to exploring new immersive circus experiences and allowing museum visitors to virtually see priceless ancient texts that would otherwise be off-limits.

This remarkable series of new projects is the perfect illustration of how the arts and humanities can dovetail effectively with other disciplines to become more than the sum of our parts – and proves how together we add real value to the wider economy and society.

Immersive technologies promise to transform many aspects of our lives – from the way that we learn, to the way that we entertain ourselves and our families – and the technology on which they are based is truly remarkable.

But without the arts and humanities the impact of this technology will be limited. It will be like a movie camera without a film script and actors to perform it, or a recording studio without musicians. Without the arts and humanities to develop content these revolutionary new technologies remain just a wonderful idea, and the public conversation about them will only really start when we develop something amazing that people want to experience through them.

Being able to demonstrate exactly just how critical we are to wider society in this way will only become more important as we move forward as part of UKRI. In particular, it is now clear that any additional resources will only come through hypothecated funds, following the principles laid down by the Government and the UKRI board. And although all potential change brings with it some anxiety, I think that we can be positive about the new arrangements. Particularly as it is already clear that UKRI will bring with it the promised 'louder voice' for the research sector within Government.

But it's equally important that we at the AHRC, with our new Council, and all our researchers, use our own voices to make the case for the vital importance of the arts and humanities to both the UK economy and our wider social welfare. Together we need to develop a wider understanding of how hypothecated funds will have an increased relevance to our research community – and how we can better make our case to receive them.

The world around us is changing fast. By the time we publish our next Annual Report in 2019, EU exit will have happened and the UK will have left the European Union. We are already living through a time when it is clear that communities need to understand each other better, and the arts and humanities have a vital role to play in helping us all to do this.

Our research is already proving how the arts and humanities have a significant role to play in helping resolve some of the most difficult issues around the world today. For example, the projects we have financed this year through the Global Challenges Research Fund have already demonstrated how we can help with conflict resolution and reconciliation, from the rediscovery and democratisation of history in Iraq, to helping young people find their voice in South Africa.

This year we can look forward to the Creative Industries Clusters Programme, the single largest research investment in our history, getting underway and bringing together the UK's creative industries with our researchers. We will also see the next phase of the Doctoral Training Partnerships, which will continue to provide training for research students across the full range of the arts and humanities, as well as across areas of interdisciplinary research.

No-one can say that the year ahead will be without significant challenges, for both the AHRC and the wider UK economy and society. But what I believe we have proved over the last 12 months is that we are prepared and that we are already beginning to thrive in the new environment – and that together we are ready for the future.

**Professor Sir Drummond Bone**

Chair, AHRC





# Chief Executive's STATEMENT

In a globalised yet unevenly connected world, where interdependency and inequality uncomfortably co-exist, the arts and humanities perform a vital function in the UK research system in mobilising diverse voices from across continents, countries and cultures. This means that the insights and knowledge to be gained from arts and humanities disciplines are indispensable to thinking about the future of international development, something perfectly captured in the philosophy that lies behind the UN's Sustainable Development Goals (SDGs), and perfectly illustrated by a major summit held at the British Library, last summer, showcasing an outstanding range of arts and humanities research on global challenges.

Through the Global Challenges Research Fund (GCRF), the AHRC has supported more than 100 exciting new international collaborative projects, working in 46 different countries, helping to provide distinctive new insights that can be applied to a range of agencies working, for example, in fragile states where a combination of protracted conflict and forced displacement threaten to stymie or even reverse recent gains in economic growth and social well-being. These projects are joint enterprises, in the sense that they link together arts and humanities researchers in the UK with their counterparts in the Global South. They are highly relevant therefore to the 2030 agenda expressed by UN's SDGs, for at their heart is the recognition that economic growth, state security, human rights, and the protection of our environment are all mutually dependent. And, because they are mutually dependent, the SDGs are as relevant to the developed as they are to the developing world. Gone are the days when the problems exist in the South and the solutions are to be found in the North. The problems are shared problems, and the solutions must therefore be sought together. That, in a nutshell, is why the GCRF needs the arts and humanities – only by positioning culture and society at the very centre of developing thinking and practice will progress toward the 2030 agenda be made.

Our vision to work collaboratively, not just with the Global South, but with the social sciences and the environment, medical and physical sciences, was enhanced in April 2018 when the AHRC became part of UK Research and Innovation (UKRI), an umbrella organisation that brings together all seven Research Councils, Innovate UK and Research England. UKRI gives a single, strong and unified

voice to the full spectrum of UK research and innovation, as well as fresh opportunities to work in cross-disciplinary ways to address the global challenges that face us all. If the AHRC is to thrive in the new multidisciplinary world of UKRI, these are opportunities we must embrace.

Recently, arts and humanities research has been demonstrating the success of this cross-disciplinary approach, and contributing to areas previously thought to be the exclusive domain of science and technology. Through collaborations with medical researchers we have shown the value of the arts and humanities in the provision of basic healthcare, fighting epidemics, particularly when there is a cultural cause to the disease, that requires a cultural as well as medical intervention, or when dealing with sensitive subjects, people who are difficult to reach and vulnerable populations. In Zimbabwe, for example, the AHRC has funded innovative work to promote sexual health among women prisoners; in the Gambia, researchers have explored ways to use music to promote perinatal health; while in the UK, pioneering research is looking at how design could cut antibiotic-resistant infection in hospitals.

As the UK's seven Research Councils join forces to collaborate on the huge twenty-first century challenge of mental health, AHRC researchers have already highlighted how important the arts and humanities can be in improving the quality of life for many people. The AHRC has invested over £10m in 76 mental-health related projects since 2010. These projects have demonstrated how input from the arts and humanities can help healthcare professionals understand the complexity and real-life impact of mental health conditions, and tackle the stigma that surrounds many mental health conditions and prevents so many people in so many countries from seeking or receiving treatment. The arts and humanities provide a breadth of perspectives, skills and techniques that reveal a deeper understanding of the causes and experiences of mental illness.

Major environmental change is another of the big challenges of our times, and here, too, arts and humanities researchers have been making a significant contribution. Using his work on historic tree management, Dr Tom Williamson is providing practical policy advice on modern tree populations to conservation organisations such as the Woodland Trust. The AHRC has also funded the formation

of a network of artists, scientists and other stakeholders to explore ways of raising awareness about the plight of our bee populations.

In the fast-paced world of new digital technology, the AHRC is driving forward cutting-edge research that complements and extends the work of science and engineering. A long-standing collaboration with the Smithsonian Museums in the US has put the UK's flagship cultural organisations at the forefront of digital scholarship and the digital revolution. The partnership brings together experts from across the Smithsonian with their counterparts in the UK – including the British Museum, British Library, and V&A – and is transforming the ways in which material culture can be experienced and understood by global audiences, opening new research frontiers, and advancing collections-based research methods for the twenty-first century. These joint projects are empowering museums, libraries, archives and galleries to embrace the technological shift taking place as a result of enhanced digitisation, mobile access, social media, and immersive technologies.

It is this spirit of collaboration and innovation which we take with us into the next year. The arts and humanities can – and should – be at the centre of collaborative cross-disciplinary research. We must find the confidence that comes from knowing what we do is critical to making the world around us a better place – and use that confidence to seize the opportunities ahead.

**Professor Andrew Thompson**

Chief Executive Officer, AHRC

# Overview

## Brief history and statutory background

The Arts and Humanities Research Council (AHRC) was founded as a Research Council and received its Royal Charter in 2005, having been in existence as a Research Board, the AHRB, since 1998. In 2010 it moved from premises in central Bristol to Polaris House in Swindon, from which it operates alongside the other Research Councils and Research Councils UK (RCUK). The AHRC is a Statutory Non-departmental Public Body established by Royal Charter.

## Nature of the organisation

The AHRC funds world-class research in a wide range of subjects: ancient history, modern dance, archaeology,

digital content, philosophy, English literature, design, the creative and performing arts, and much more.

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

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

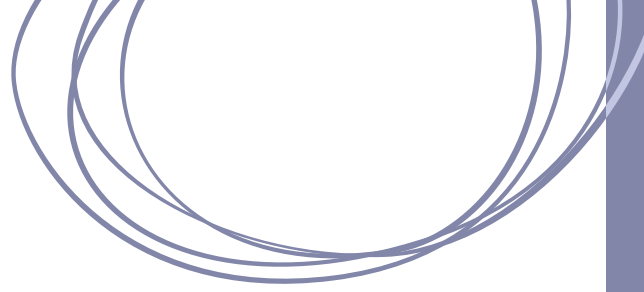
## Financial Highlights

| <b>Statement of Comprehensive Net Expenditure</b>                  | <b>2017-18<br/>£000</b>          | <b>2016-17<br/>£000</b>          |
|--|----------------------------------|----------------------------------|
| Operating Income   | (6,472)                          | (5,695)                          |
| Operating Expenditure  | 119,693                          | 112,725                          |
| Total Comprehensive Net Expenditure                                | 113,221                          | 107,030                          |
| <b>Statement of Financial Position</b>                             | <b>As at March 2018<br/>£000</b> | <b>As at March 2017<br/>£000</b> |
| Total Non-current Assets   | 24                               | 45                               |
| Total Current Assets   | 11,886                           | 15,740                           |
| Total Current Liabilities  | (6,151)                          | (7,824)                          |
| Total Non-current Liabilities                                      | (100)                            | (114)                            |
| <b>Statement of Cash Flows</b>                                     | <b>2017-18<br/>£000</b>          | <b>2016-17<br/>£000</b>          |
| Net Cash Outflow from Operating Activities                         | (107,568)                        | (106,132)                        |
| Net Cash Outflow from Investing Activities                         | (14)                             | (7)                              |
| Net Cash Flow from Financing Activities                            | 110,268                          | 104,383                          |
| Net Increase/(Decrease) in Cash and Cash Equivalents in the period | 2,686                            | (1,756)                          |

The full financial statements for 2017-18 can be found on pages 50-53

## AHRC 2017-18 deliverables and milestones at a glance

| Priority/theme  | Deliverables/milestones   | Progress   |
|---|---|--|
| <b>Supporting world-class arts and humanities research</b>                      | <ul style="list-style-type: none"> <li>● Support research excellence across the UK</li> </ul>   | <ul style="list-style-type: none"> <li>● Strong progress in furthering excellent arts and humanities research.</li> <li>● On 31 March 2018, AHRC was funding 635 awards made to 1608 Principal and Co-investigators at 110 Higher Education Institutions and Independent Research Organisations.</li> </ul>  |
| <b>AHRC priority areas</b>  | <ul style="list-style-type: none"> <li>● Develop major new initiatives in the AHRC's strategic priority areas of Design, Heritage and Modern Languages</li> </ul>                                       | <ul style="list-style-type: none"> <li>● The AHRC Priority Area Leadership Fellows have been actively engaging with their respective communities and informing the strategic direction of AHRC activity in their areas. This has included workshops for early-career researchers in design, the launch of the UK Heritage Research programme and excellent progress of the Open World Research Initiative (OWRI).</li> </ul>   |
| <b>AHRC themes</b>  | <ul style="list-style-type: none"> <li>● Sustaining the legacy of the AHRC's four research themes: Care for the Future, Digital Transformations, Science in Culture and Translating Cultures</li> </ul> | <ul style="list-style-type: none"> <li>● Awards were made through highlight notices within the follow-on fund for Impact and Engagement Scheme. These are providing support for new innovations which have emerged from research carried out under the four themes.</li> </ul>   |
| <b>Supporting new generations of postgraduates and early-career researchers</b> | <ul style="list-style-type: none"> <li>● Doctoral funding and enhanced provision for training, international opportunities, postdoctoral work and networking</li> </ul>                                 | <ul style="list-style-type: none"> <li>● The 18 Doctoral Training Partnerships (DTPs), Centres for Doctoral Training (CDTs) and Collaborative Doctoral Partnerships (CDPs) continue to progress well.</li> <li>● Future funding plans for DTP2 and CDPs are in train, to commence in 2019.</li> <li>● Through the National Productivity Investment Fund, AHRC supported further collaborative doctoral awards focused on the creative economy and launched the Creative Economy Engagement Fellowships.</li> </ul> |



| Priority/theme  | Deliverables/milestones  | Progress  |
|---|--|---|
| <b>Enhancing the creative economy</b>                                 | <ul style="list-style-type: none"> <li>● New initiatives to support R&amp;D collaborations with the creative industries</li> <li>● New initiatives to support research on, with, and for the creative economy</li> </ul> | <ul style="list-style-type: none"> <li>● Funding from the Industrial Strategy Challenge Fund (ISCF) has allowed AHRC to launch the £80m+ programme Creative Industries Clusters Programme. Commissioning is underway for 8 Creative R&amp;D Partnerships and a Policy and Evidence Centre which will be launched in 2018-19.</li> <li>● AHRC launched a joint call with EPSRC on immersive technologies and together with Innovate UK, EPSRC and ESRC successfully bid for funding from ISCF for the Audience of the Future Challenge.</li> </ul> |
| <b>Catalysing and maintaining strong international collaborations</b> | <ul style="list-style-type: none"> <li>● Strengthening existing international research collaborations</li> <li>● New initiatives to support international research collaborations</li> </ul>                             | <ul style="list-style-type: none"> <li>● AHRC continues to strengthen its international collaborations through Humanities in the European Research Area (HERA) and the Trans-Atlantic Platform (T-AP).</li> <li>● Multiple new calls were launched through AHRC's Newton Fund and the GCRF. This included AHRC's flagship scheme, the Area Based Network + programme and the new Global Health Partnership initiative with the MRC.</li> <li>● A new partnership was launched in 2017 with the Smithsonian Institute.</li> </ul>                  |
| <b>Addressing complex challenges through cross-Council working</b>    | <ul style="list-style-type: none"> <li>● Supporting existing cross-Council programmes</li> <li>● Developing new cross-Council initiatives</li> </ul>   | <ul style="list-style-type: none"> <li>● Significant progress has been made on the multidisciplinary GCRF calls, working with the ESRC, NERC and MRC, launching new multidisciplinary opportunities for arts and humanities researchers.</li> <li>● AHRC continues to work closely with other Councils on initiatives such as the Housing Evidence Centre, mental health, the digital economy, immersive technologies and environmental resilience.</li> </ul>  |

## Chief Executive

Professor Andrew Thompson – who will remain on secondment from the University of Exeter – has been Chief Executive Officer of the AHRC since 27 March 2017 (interim CEO from 1 December 2015). Professor Thompson will also transition to become the first Executive Chair of the AHRC upon the creation of UK Research and Innovation (UKRI) in April 2018.

## Performance and position of the organisation

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

## Forward performance

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

The Council will move forward significantly with its cross-Council plans. These will include maximising further international development opportunities, and opportunities via the National Productivity Investment Fund including Industrial Strategy Challenge Fund initiatives and working within UKRI on a wide range of new opportunities.

The AHRC has major plans to further develop cross-disciplinary and cross-sector research partnerships ensuring that the arts and humanities research communities will be well represented in the new opportunities afforded by UKRI.

## Performance against key performance indicators

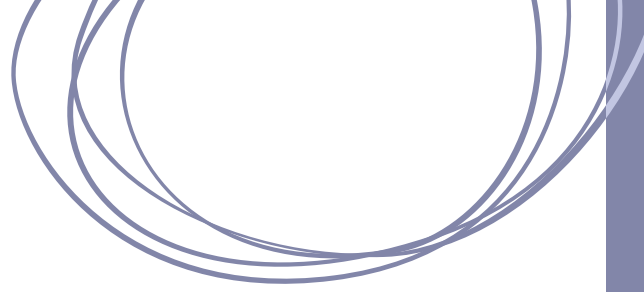
The AHRC's performance is measured against its Royal Charter objectives to:

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

The Council provides research funding to academics carrying out excellent research at every stage of their career across the range of disciplines within the arts and humanities. Our Key Performance Indicators (KPIs) ensure that AHRC funding responds to the requirements of the research community and results in research that fosters new collaborations with non-academic partners, informs public policy and ensures that UK researchers are key players on the international stage. The AHRC develops KPIs each year in alignment with the Delivery Plan and alongside budgetary planning. This work is carried out by the Senior Management Team (SMT), in collaboration with Strategic Leads across the Council. The AHRC Risk Register identifies any business-critical concerns relating to the KPIs, triggering action where necessary. In addition, Strategic Leads are required to update the Chief Executive on their KPIs every quarter to feed into a report made to Council. These updates are reviewed by the SMT to assess progress against corporate objectives. Selected highlights are referenced below.

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

On 31 March 2018, the AHRC had 635 live awards made to 1608 Principal and Co-investigators at 110 UK Higher Education Institutions (HEIs) and Independent Research Organisations. It is a testament to research excellence that



AHRC-funded researchers are sought after for collaborative projects with academic and non-academic partners both in the UK and overseas. The live awards on 31 March 2018 included those to International Co-investigators at 120 overseas HEIs in Europe, North America, South America, Asia, Africa and Australia. This reflects arts and humanities researchers' success in engaging with the GCRF, and the demand for their expertise to tackle challenges around international development. In 2017-18, 57% of the new grants awarded by the AHRC included non-academic partners. In total, collaboration on AHRC grants awarded in 2017-18 to all career stages resulted in over £4m of leveraged funding. The total amount leveraged from all of the research grants that were active at the end of the 2017-18 financial period stood at over £11.3m.

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

Over the course of 2017-18, the AHRC has made a total of 149 awards through its open call schemes across the breadth of its subject remit (55 Research Grants, 40 Leadership Fellowships and 32 Research Networks). Each of these awards makes a significant contribution to knowledge generation in the arts and humanities and beyond. Interdisciplinarity is at the forefront of our funded research, with researchers leading the way in forging new ways of working in collaboration with partners outside of the arts and humanities and in non-academic sectors. The following paragraphs highlight a selection of these awards.

'Women in the miners' strike, 1984-5: Charting changing gender roles in working-class communities in post-1945 Britain' will provide a comprehensive study of women's activism during the miners' strike of 1984-5, and a new history of continuity and change in working-class women's lives since 1945. The collaborative Research Grant, led by University College London, involves the National Coal Mining Museum. A further Research Grant, 'Counter Culture: investigating Neolithic social diversity', is an archaeology-led investigation of the forms and extent of social diversity amongst the earliest farmers of Central Europe. This University of York project will provide new avenues to explore the history of social inequality.

Research into the development and uses of certain scientific techniques is enriching arts and humanities

research and catalysing new areas of enquiry across the disciplines. At the University of Manchester, the 'Double Helix History: DNA and understanding of the past' is investigating the role of genetic science in the study of history, specifically genealogy. Vitality, this project is examining how popular understanding of techniques such as DNA sequencing is impacting on how people think of themselves and their relationships with communities and cultures. The international 'Hybrid Bodies Network' brings together researchers in philosophy, psychology, visual arts and the medical sciences in the UK and Canada. This research network award led by the University of Westminster is looking at the psycho-social effects of heart transplantations, in particular, the effect on heart donor families. Important work is being carried out through a further transnational, multidisciplinary and multisector research network led by Nottingham Trent University. The SciBar Installations project brings together legal scholars, conservation ecologists, and civil engineering with energy companies and Government departments to undertake a comprehensive review of the governance and regulation of threats and impacts to the environment, industry, local communities and other stakeholders associated with offshore energy installations in the Arctic.

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

The AHRC has made major progress in its three priority areas of Modern Languages, Heritage and Design over the past year. The three Priority Area Leadership Fellows have worked closely with their research communities, including increased engagement with early-career researchers and related stakeholders. These engagements and activities are crucial for these disciplines; the evidence and insights they provide will drive advocacy and the strategic direction of future AHRC activity.

The Council is drawing on this expertise in heritage to contribute to the Joint Programming Initiative (JPI) on Cultural Heritage and Global Change. The JPI Cultural Heritage Digital Heritage call saw eight awards made, five of which involved UK participants. In the modern languages domain, the AHRC's Open World Research Initiative (OWRI) is making significant headway. The researchers involved are working with more than 100 partners, from schools and colleges to the BBC and



Government departments. Design research is offering strong contributions to wider discussions on antimicrobial resistance research and 2017-18 has seen significant engagement with early-career researchers in the field of design to explore and understand emerging priorities.

The AHRC's four themes are working with the network of awards holders to establish a sustainable legacy. Twenty-two Follow-on Fund for Impact and Engagement awards were made to support new impacts and innovations which are emerging from those themes, ensuring that long-term impacts from these programmes are realised.

A significant focus for 2017-18 has been to build capacity within the arts and humanities for close collaboration and new R&D initiatives with the creative and cultural industries. This has included the launch of an £80m+ programme to support the Creative Industries Clusters Programme, involvement in the Audience of the Future programme, new doctoral studentships funded by the National Productivity Investment Fund, the Creative Economy Engagement Fellowship scheme and new research networks focused on immersive experiences.

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

The AHRC's work on cross-Council initiatives has strengthened considerably in 2017-18. The arts and humanities are making their presence felt. This is demonstrated by the high-quality response from its researchers to calls and recognition by researchers in other disciplines that they have an important role to play. It is clear that a number of the economic and social issues facing the world need to be tackled from an arts and humanities perspective, and our community has very much risen to this challenge.

Areas which have seen a particular cross-Council and cross-disciplinary focus in 2017-18 include:

- **Conflict and Migration:** which saw the launch of the AHRC/ESRC Migration Leadership team. In 2017-18, there was a joint AHRC/Department for International Development/British Academy workshop and a GCRF highlight notice was published on Education in Conflict and Protracted Crises which will close in May 2018.
- **Mental Health:** which saw the launch of the cross-Council call for interdisciplinary Networks Plus to build

research capacity to strengthen UK research into mental health with proposals to be submitted by February 2018. To coincide with the launch of the call, AHRC published a report highlighting the role of the arts and humanities in contributing to mental health issues and areas of research which received significant media attention. The AHRC also collaborated with ESRC on a GCRF-funded call, "New social and cultural insights into mental, neurological and substance use disorders in developing countries", with a particular focus on targeting mental health issues in low- and middle-income countries.

- **Global Public Health:** AHRC and MRC launched a new global public health initiative. Its focus is to respond to the challenge of bringing together expertise in medical science and health interventions in developing countries, with arts and humanities research bringing an understanding of local knowledge and history, cultural and historical contexts and dynamics, community engagement, and trust. To date, 26 awards have been made across two funding calls.
- **Artificial Intelligence:** continued discussions on areas of human and technology interfaces and AHRC involvement in the EPSRC-led Doctoral Training Partnership on Artificial Intelligence.

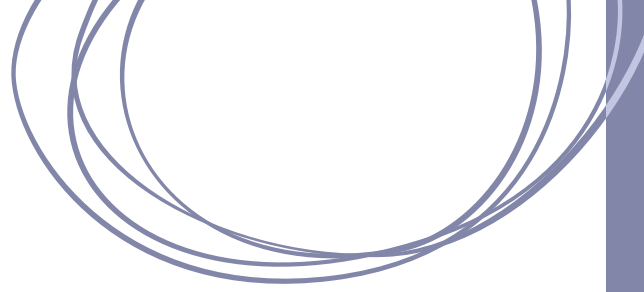
### Supporting the health of the arts and humanities and national capability: international activity

The AHRC has been extremely successful in its international work this year.

The GCRF portfolio has been a prime opportunity for the arts and humanities research community to demonstrate the value of their disciplines to shaping responses to significant developmental challenges. Building on the first year of activity, in 2017-18, AHRC staged its *Mobilising Global Voices* International Development Summit, launched its flagship AHRC Area-Focused Network Plus scheme and built significantly on its cross-disciplinary and cross-Council collaborations in relation to global health, education and conflict, and, resilience.

The AHRC Area-Focused Network Plus scheme is designed to bring together a wide range of UK arts and humanities research expertise with researchers and non-academic partners in low- and middle-income countries. Researchers will take an area-focused approach shaped





by the needs of particular places and communities. Each of the multi-institutional and cross-disciplinary teams works extensively with researchers, organisations, and communities based on the ground to build partnerships and deliver effective solutions that demonstrate the importance of areas such as culture, languages, identities and local contexts as foundations for addressing development challenges.

The five networks launched in 2017-18 will bring new perspectives to a broad range of geographical areas and development challenges by researching: 'Slavery in Sub-Saharan Africa', led by the University of Liverpool; 'Young people in post-conflict scenarios in Africa, South America and Eastern Europe', led by the University of Leeds; 'Historical and cultural approaches to democracy in politically fragile states', in particular Myanmar and Ethiopia, led by the School of Oriental and African Studies; 'The use of cultural heritage for economic growth and social cohesion in East Africa', led by the University of Nottingham; 'New historical research for education and post-conflict development in Iraq and neighbouring countries', led by the University College London.

The networks will support the co-production of research through three linked strands of activity of initial scoping, capability development and partnership building, launching new funding calls and, undertaking evaluation and legacy planning. The Network Plus award holders are working extensively with more than 40 international research organisations and non-academic partners, such as the British Council, Basrah Museum, the Enlightened Myanmar Research Foundation, the South African Holocaust and Genocide Foundation, and UNESCO.

For the Newton Fund, this has included a workshop in partnership with the UNESCO Creative City (Shanghai) Promotion Office in October 2017 and the launch of the *Cultural Heritage and Rapid Urbanisation in India* call with the Indian Council for Historical Research (ICHR). The Council has been exploring opportunities in Egypt by running a joint call with the Science & Technology Fund of Egypt (STDF) on *Cultural Heritage and Development in Egypt*; and Jordan and Colombia.

The Council has maintained its excellent track record of enabling UK researchers to participate in European projects. For example, through the EU-India Platform for

the Social Science and Humanities, a call was launched on sustainability, equity, wellbeing and cultural connections.

Within Europe, the Humanities in the European Research Area (HERA) continues to grow in strength. The call for the fourth HERA Joint Research Programme on 'European Public Space, Culture and Integration' closed in October 2017 with shortlisted applicants invited to submit full proposals in May 2018. The AHRC is the knowledge exchange lead for the HERA network and AHRC oversaw the appointment of a new HERA Knowledge Exchange and Impact Fellow.

In September 2017, Professor Andrew Thompson joined the Minister for Science, Jo Johnson, and Professor Sir Mark Walport (Chief Executive Designate of UK Research and Innovation) on the ministerial delegation to the USA framed around the signing of a new UK-US Science and Technology agreement. As part of the visit, AHRC announced a new partnership with the Smithsonian, building on the successful history of collaboration through the International Placement Scheme in digital scholarship. The aim of the partnership is to share approaches to the innovative research application of digital technologies in museums and to nurture and accelerate thinking about the potential for digital scholarship, facilitate and encourage pilot projects on areas of mutual interest, and support discussions about the value and impact of digitisation and digital collections in museums.

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

The AHRC's ambitious doctoral training programmes continue to flourish, with the fourth cohort for its 18 Doctoral Training Partnerships (DTPs) and Centres for Doctoral Training (CDTs) commencing in September 2017, and the recruitment process for the fifth cohort underway. The Council has also embedded new reporting for the CDTs and DTPs which is more in line with the cross-Council template; the second round of this was completed in February 2018. The commissioning process for DTP2 is underway; decisions will be made in 2018-19 and funding from this call will begin in 2019.

The AHRC also provides other skills development opportunities for postgraduates and early-career researchers. In 2017-18 this has included the International Placement Scheme, the Creative Economy Engagement Fellowships

and programmes aimed at developing knowledge of policy-making and a bespoke training programme at the Edinburgh Film Festival. The AHRC's innovative design of these schemes means that early-career researchers are equipped with key skills relating to partnerships and collaboration, whether they are working inside or outside of academia.

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

The AHRC has developed its public engagement strategy activities throughout 2017-18 to make for more efficient and comprehensive media coverage. By providing more support and guidance to award-holders about publicising their own research and impacts, the AHRC is increasing engagement opportunities for researchers and giving arts and humanities research greater prevalence and prominence in the public sphere. It is also providing researchers with the skillset required to initiate their own public engagement and media activities.

The Council's own public engagement activities have included launching the 2017 cohort of New Generation Thinkers, an important programme providing the next generation of arts and humanities researchers with experience of engagement with non-academic partners at the outset of their careers. It has strengthened its relationship with its WW1 Engagement Centres, supporting them to work more closely together in order to upscale their own level of engagement and impact. The AHRC has been extremely successful in its third Research in Film awards. In 2017, its third year, it attracted over 200 entries drawing together provocative and award-winning films developed from and about arts and humanities research. A new award was included for 2017, focusing on international development. The shortlisted films were viewed by more than 4,000 people before the awards ceremony on 9 November.

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

The AHRC has seen major success in its work on the creative economy in 2017-18. It has become a leader in the development of this sector by spearheading an initiative to build long-term collaborative links between research organisations, creative industry businesses, regional development agencies, trade bodies and Government departments.

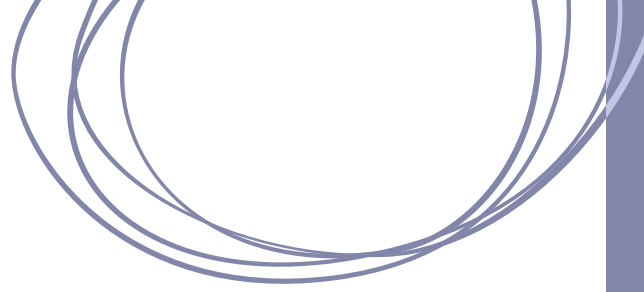
The Creative Industries are one of the UK's most dynamic sectors, growing at almost twice the rate of the wider economy and estimated in worth at nearly £90bn a year. The Creative Industries Clusters Programme (CICP) is an ambitious initiative to foster an R&D infrastructure for the creative industries. The Creative Industries are dynamic, growing and a key UK asset. These new Industry-HEI creative industries partnerships will boost competitiveness and productivity and grow the creative skills base the UK needs for the 21st century. Funded by ISCF, this AHRC-led Programme will bring together the UK's world-leading research base with the internationally renowned creative industries through a challenge-focused approach. The five-year Programme will act as a catalyst to grow the creative industries further through the development of exciting new products, services and experiences, generating a step change in the creation of new jobs and the supply of highly skilled people to fill them.

The £80m-plus Programme will support the creation of 8 Creative R&D Partnerships linked to clusters of creative activity across the UK and a Policy and Evidence Centre. CICP was formally launched on 22 September by Greg Clark, the Secretary of State for Business, Energy and Industrial Strategy, at the launch of Sir Peter Bazalgette's Independent Review of the Creative Industries by the Secretaries of State for BEIS and DCMS.

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

The AHRC carried out groundwork for a number of public policy initiatives in 2017-18 which will come to fruition in the coming year and beyond. This work is of crucial importance, highlighting to policy-makers the need to engage with arts and humanities research to create well-informed and rigorous policy and creating opportunities to make this happen.

Working with the ESRC and the Joseph Rowntree Foundation, in April 2017, we announced the new UK Collaborative Centre for Housing Evidence (CaCHE). The new national research centre, which will be independent from government and other interests, is a collaboration between nine UK Universities and four non-HEI organisations and will have staff located at five hubs across the UK in Glasgow, Sheffield, London, Cardiff and Belfast.



The important role played by the arts and humanities in foreign policy is made clear in the development of a new Fellowship scheme run jointly with ESRC and the Foreign and Commonwealth Office.

AHRC continues to support the training of new generations of researchers in engaging with policy makers and in effectively informing policy through the success of its Engaging with Government course run annually by the Institute for Government.

In July 2017, the final report of the All Parliamentary Group on Arts, Health and Wellbeing was launched at the House of Commons, providing the most comprehensive overview of the benefits of arts engagement to health and wellbeing. The development of the report and the dissemination activities were supported by an AHRC Follow-on Fund for Impact and Engagement award. The findings of the report drew on a wide range of past and current AHRC awards.

# Performance Analysis

## Financial performance

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

Grant-in-Aid received from BEIS for 2017-18 was £112.8m compared with £104.4m for 2016-17. This represents an increase of 6.9%, the majority of which relates to the Global Challenges Research Fund (GCRF).

GCRF activities have contributed to a large number of applications being submitted to AHRC's core responsive

mode schemes this year, notably through the Research Grants and Leadership Fellows schemes.

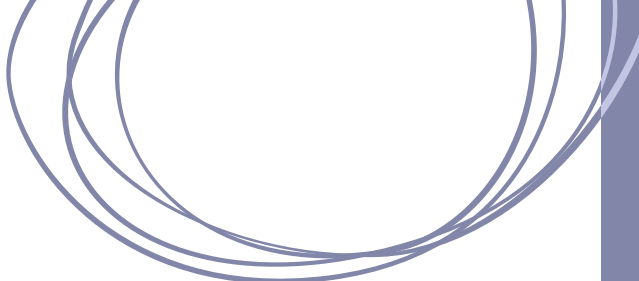
The accounts for the year ended 31 March 2018 recorded net expenditure of £113.2m compared with £107m for 2016-17, which is an overall increase of 5.8%.

Expenditure on Research, Postgraduates and Fellowships equates to 96.1% of the AHRC's total expenditure. The ratio of postgraduate to research spend has been maintained against that of the preceding year.

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

| <b>Outturn £000</b>  | <b>Total</b>   |
|--|----------------|
| Allocation   | 112,773        |
| Outturn  | 112,456        |
| <b>In-year Underspend</b>  | <b>(317)</b>   |
| <b>Reconciliation of Net Resource Expenditure Between Allocation, Outturn and Accounts</b> |                |
| <b>BEIS Allocation</b>   |                |
| Administration   | 3,229          |
| Programmes   | 102,544        |
| GCRF   | 7,000          |
| <b>Sub-total Allocation</b>  | <b>112,773</b> |
| Administration Expenditure   | 3,136          |
| Programmes Expenditure   | 101,502        |
| Capital Underspend 2016-17   | (3)            |
| GCRF   | 7,786          |
| Depreciation Expenditure   | 35             |
| <b>Actual Expenditure</b>  | <b>112,456</b> |
| SBS Notional Charges   | 765            |
| <b>Total Comprehensive Net Expenditure</b>   | <b>113,221</b> |

The Outturn section of the table above illustrates the distribution of expenditure against allocation in respect of resources and capital. Overall, AHRC has a total underspend of £317k made up of Resource £314k and Capital £3k. The second half of the table provides analysis on the allocation and actual in greater detail, which is reconciled to the financial statements.



## Financial Position

As at 31 March 2018, non-current assets had a carrying value of £24k (31 March 2017 £45k) and current assets were valued at £11.9m (31 March 2017 £15.7m).

Current liabilities have decreased from £7.8m to £6.2m, representing a 21.4% decrease. Movement in non-current liabilities is due to the utilisation of the early retirement provision as detailed in note 10 to the accounts (page 62).

## Comprehensive Spending Review Allocations

|                           | 2012-13<br>£000 | 2013-14<br>£000 | 2014-15<br>£000 | 2015-16<br>£000 | 2016-17<br>£000 | 2017-18<br>£000 |
|---------------------------|-----------------|-----------------|-----------------|-----------------|-----------------|-----------------|
| Programme Resource        | 9,762           | 98,370          | 98,370          | 98,287          | 101,030         | 109,544         |
| Administration Resource   | 5,547           | 4,084           | 3,911           | 3,607           | 3,353           | 3,229           |
| <b>Sub-total Resource</b> | <b>15,309</b>   | <b>102,454</b>  | <b>102,281</b>  | <b>101,894</b>  | <b>104,383</b>  | <b>112,773</b>  |
| Programme Non-cash        | -               | -               | -               | -               | -               | -               |
| Administration Non-cash   | 256             | 221             | 204             | 208             | 32              | 24              |
| <b>Sub-total Non-cash</b> | <b>256</b>      | <b>221</b>      | <b>204</b>      | <b>208</b>      | <b>32</b>       | <b>24</b>       |
| <b>Total Resource</b>     | <b>15,565</b>   | <b>102,675</b>  | <b>102,485</b>  | <b>102,102</b>  | <b>104,415</b>  | <b>112,797</b>  |
| Capital Allocation        | 1,000           | 4,600           | 5,000           | -               | -               | -               |
| <b>Total Capital</b>      | <b>1,000</b>    | <b>4,600</b>    | <b>5,000</b>    | <b>-</b>        | <b>-</b>        | <b>-</b>        |
| <b>Total</b>              | <b>16,565</b>   | <b>107,275</b>  | <b>107,485</b>  | <b>102,102</b>  | <b>104,415</b>  | <b>112,797</b>  |

## Long-term expenditure trends

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

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

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

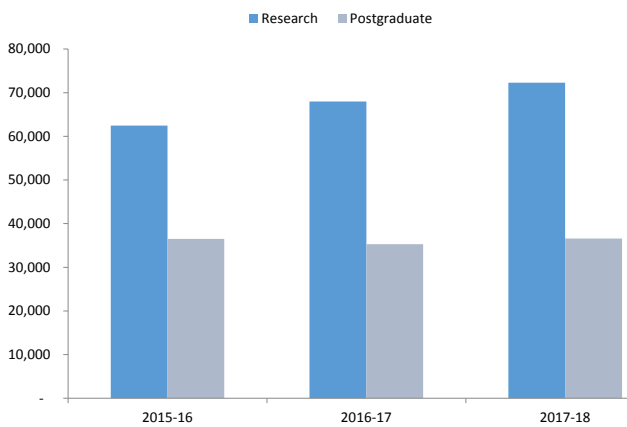
## Research

Research expenditure has increased by £4.3m from 2016-17. The main reason for the increase in expenditure relates to the Global Challenges Research Fund.

## Postgraduate

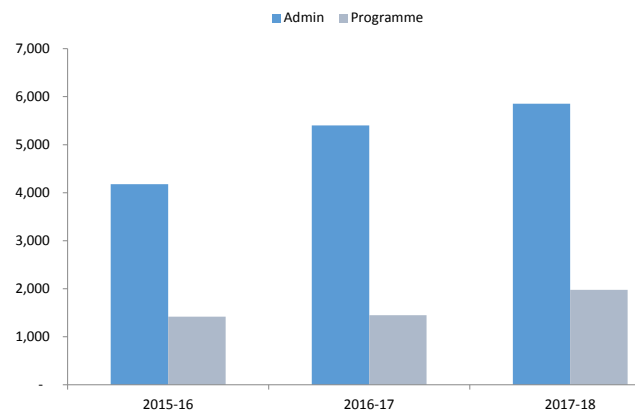
Overall Postgraduate expenditure has increased by £1.3m compared with the previous financial year. The main reason for the increase in expenditure relates to the Industrial Strategy Challenge Fund.

### Research and Development (£000)



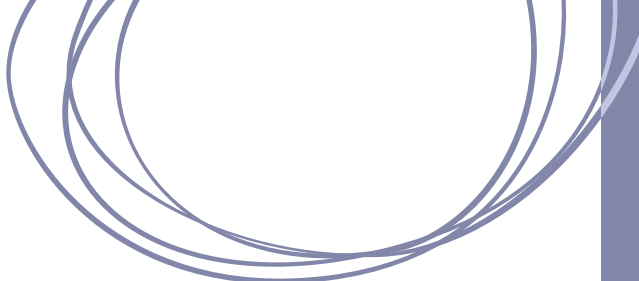
The graph above shows the AHRC's Programme expenditure split by Research and Postgraduate over the last three financial years. Programme expenditure for 2017-18 has increased by £5.6m compared with the previous financial year. The AHRC is heavily reliant on Grant-in-Aid received from BEIS to fund Research/Postgraduate awards, as this is the AHRC's main source of income.

### Staff Costs (£000)

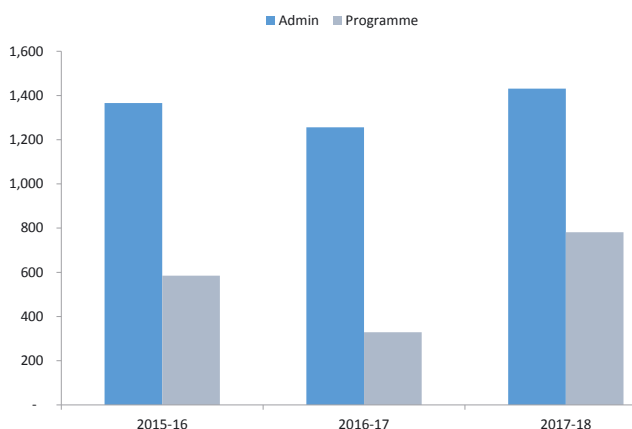


The graph above shows AHRC staff costs split by Administration and Programme over the last three financial years.

Administration Staff numbers and costs have significantly increased during 2017-18 in the Project Office of the PSU. The underlying AHRC staff costs have remained flat during the same period.



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



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

Administration costs have increased significantly during 2017-18, the majority of the increase in IT & Advertising costs in preparation for the launch of UKRI.

Programme support costs have increased by £452k in 2017-18 compared with the prior financial year.

### Creditors' payment policy

The AHRC follows HM Treasury Guidance and makes every effort to pay creditors within five days of receipt of invoice. Where this is not possible, the AHRC observes the CBI's Prompt Payers' Guide, and adheres to the Principles of the Prompt Payers' Code, endeavouring to ensure compliance with the agreed terms of payment of creditors' invoices and to pay them within 30 days of receipt of goods and services. During 2017-18 an average of 71% of payments were made within five days (81% 2016-17).

### Environmental policy

The Natural Environment Research Council (NERC) has developed a cross-Council Environmental Policy, which is supported by the AHRC. AHRC continues to work with other Research Councils and tenants of Polaris House, Swindon, in ensuring the building's impact on the environment is as limited as possible. Currently 72% 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.

A 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 installing electric vehicle charging points for staff and visitors.

**Professor Andrew Thompson**  
Chief Executive, AHRC  
25 June 2018

# Accountability Report

Corporate Governance Report

Governance Statement

Remuneration and Staff Report

Parliamentary Accountability and Audit Report





# Corporate Governance Report

## Directors' Report

### Governance

UK Research and Innovation (UKRI) is a new body, established under The Higher Education and Research Act 2017. UKRI will lead in the development and delivery of a research and innovation strategy which maximises the advancement of knowledge and economic and societal impact based on more and better evidence and data. It will ensure that our research and innovation system is sufficiently strategic and agile to deliver national UK capability that drives discovery and economic growth or benefit, whilst maintaining the key characteristics of the current system that have underpinned the UK's success.

Under The Higher Education & Research Act 2017, UKRI has established nine Councils, with their own fields of activity, each led by an Executive Chair. The Arts & Humanities Research Council (AHRC) is one of these nine Councils.

The Executive Chair of the AHRC is supported by a Council of eleven ordinary members.

The AHRC Council is responsible for both advising and making decisions, as delegated to it by UKRI, on research and innovation matters. Responsibilities include:

- supporting the Executive Chair in providing leadership within the arts and humanities within UKRI including the prioritisation of budgets within the arts and humanities;
- supporting the training and development of specialists within their discipline, for example through post-graduate training [to maintain the sustainability of the UK's research and innovation capacity];
- engaging with the arts and humanities community to develop ideas, raise awareness of UKRI's activities, communicate research outcomes, disseminate knowledge, and encourage public engagement and dialogue;
- supporting the development and delivery of the Council's strategic delivery plan;
- providing independent insight and advice to support the implementation of the Council's strategic delivery plan;
- encourage collaborative working across UKRI and the wider research and innovation community;

The BEIS-UK Research and Innovation Framework Document, written by the Department for Business, Energy and Industrial Strategy (BEIS) in consultation with UKRI, sets out the broad parameters within which UKRI will operate, but does not convey any legal powers or responsibilities. It is a critical component in defining the relationship between BEIS and UKRI and will be subject to periodic review.

The UKRI Board will delegate responsibility for decision making to the AHRC in relation to the arts and humanities via a Strategic Delivery Plan, budget allocations letters and letters of delegation.

The AHRC Executive Chair is responsible for the development and approval of the AHRC's Strategic Delivery Plan and is responsible for delivery against the Plan. The AHRC Executive Chair is delegated authority for managing budgets by the Chief Executive of UKRI through a system of delegations. The UKRI Chief Executive will be the Chief Accounting Officer.

One member of AHRC's Council has been appointed as Senior Independent Member and it is his role to support the AHRC Executive Chair and to assure the UKRI Chair and the Board of the effective operation of AHRC.

### Council and Management Board

The membership of the AHRC Council and main advisory boards are listed on the next page. Council members' remuneration is listed in the Remuneration Report (page 34) along with their remuneration for 2018-19. The Executive Chair of AHRC is Professor Andrew Thompson (seconded from the University of Exeter), and the Senior Independent Member of the AHRC Council is Professor Sir Drummond Bone.

### Council

The Council must ensure that the AHRC operates in accordance with the powers delegated to it under the Higher Education Research Act 2017.

It is also responsible for ensuring that the AHRC complies with requirements contained in the BEIS-UKRI Framework Document, which set out the relationship between the Research Council, UKRI and BEIS.

The Executive Chair of the AHRC is appointed by BEIS. Members of Council, including the Senior Independent Member, are appointed by UKRI. Further information about them and other members of Council can be found in the Remuneration Report. Appointments are made in accordance with the Code of Practice for Public Appointments.

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

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

## Committee members

### Council Members

**Professor Sir Drummond Bone** (Balliol College, Oxford) Chair  
**Professor Svenja Adolphs** (University of Nottingham)  
**Ms Deborah Bull** (King's College London)  
**Ms Jan Dalley** (Financial Times)  
**Mr Robert Dufton** (Moorfields Eye Charity)  
**Professor Sir David Eastwood** (University of Birmingham)  
**Professor Simon Goldhill** (University of Cambridge)  
**Ms Julia Grant** (Portfolio Director for the Impetus Private Equity Foundation)  
**Professor Tom Inns** (Glasgow School of Art)  
**Professor Anthony Lilley** (Ulster University, Magic Lantern Productions)  
**Professor Fiona Macpherson** (University of Glasgow)  
**Mr Trevor Spires** (Retired, previously served as Rear Admiral, Royal Navy)  
**Professor Andrew Thompson** (Seconded from the University of Exeter) Chief Executive Officer  
**Professor Greg Walker** (University of Edinburgh)  
**Ms Lucy Winskell** (Northumbria University)

### Audit Committee

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

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

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

Retired during the year:

**Ms Jan Dalley** (Financial Times)

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

### Remuneration Committee

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

**Ms Jan Dalley** (Financial Times)

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

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

### Advisory Board

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

**Dr Tim Boon** (The Science Museum)

**Professor Martin Conway** (Balliol College, University of Oxford)

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

**Mr Dominic Gray** (Opera North)

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

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

**Professor Jacqueline Labbe** (De Montfort University)

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

**Ms Maja Maricevic** (The British Library)

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

**Professor Jennifer Richards** (Newcastle University)

**Professor Karen Salt** (University of Nottingham)

**Ms Laura Sillars** (The Site Gallery)

Retired during the year:

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

**Ms Rebecca Bailey** (RCAHMS)

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



## Statement of Accounting Officer's Responsibility

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

In preparing the Accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual ([www.gov.uk/government/uploads/system/uploads/attachment\\_data/file/669344/2017-18\\_Government\\_Financial\\_Reporting\\_Manual.pdf](http://www.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, and
- prepare the financial statements on a going-concern basis, unless it is inappropriate to presume that the Council will continue to operate.

The Department for Business, Energy & Industrial Strategy has appointed the Chief Executive as Accounting Officer of the AHRC. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding AHRC assets, are set out in the NDPB Accounting Officers' Memorandum issued by HM Treasury and published in 'Managing Public Money'.

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

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

# Governance Statement

## 1. Purpose

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

## 2. Scope of Responsibility

As Accounting Officer, I have personal responsibility for maintaining a sound system of governance and internal control, which supports the achievement of AHRC's aims and objectives. I also safeguard the public funds and AHRC assets for which I am responsible, ensuring they are properly accounted for and used economically, efficiently and effectively. This is in accordance with 'Managing Public Money' and the requirements set out in the Management Statement and Financial Memorandum agreed between AHRC and its sponsoring department, the Department for Business, 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 and external audit;
- Work undertaken to evaluate funding assurance on research investments;
- Assurance letters received from UK SBS;
- The assessment of my Director of Resources as covered in his quarterly stewardship reports.

## 3. Governance Framework

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

In carrying out this work the Council is advised by two standing committees, the Audit Committee and the Remuneration Committee, as well as an Advisory Board and other sub-groups. The Council sets the vision and strategic direction for AHRC, with the responsibility for the delivery of key strategy delegated to me as the Chief Executive.

In 2017-18 the Council met four times and amongst the issues discussed were:

- The transition to and impact of UK Research and Innovation, including the impact on AHRC's own governance arrangements;
- The Creative Industries Clusters Programme including: next steps and governance;
- Consideration and approval of annual budget, including:
  - review of quarterly management accounts and forecasts.
- Monitoring Risk and Assurance reports from the Audit Committee, including:
  - reviewing AHRC's risk profile.
  - monitoring the performance of UK SBS.
  - reviewing Internal Audit outputs.
- Quarterly reports from the Advisory Board;
- An update on priorities and future plans, including the growth of hypothecated funding streams;
  - Government's Industrial Strategy and Industrial Strategy Challenge Fund.
  - Priorities for and engagement with the Global Challenges Research Fund.
  - Investment in Doctoral Training.

Council members are recruited through advertisements in the national press, with oversight provided by the Office of the Commissioner for Public Appointments. Final appointments are subject to Ministerial approval. Members of Council and AHRC's committees are listed on page 22.

As part of the transition to UKRI a new Council was created from 1 April 2018. A formal review of Council effectiveness was therefore not undertaken in 2017-18. The new Council and its secretariat will however continue to build on best practice and lessons learnt. 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 AHRC.



The Audit Committee provides assurance to Council and me, as Accounting Officer, through:

- reviewing the adequacy and effectiveness of AHRC's framework of governance;
- reviewing risk management and controls;
- reviewing the annual accounts, and accounting policies, on behalf of Council;
- overseeing the outcomes of work by the internal and external auditors.

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

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. The Chair of AHRC Audit Committee also facilitated a Research Council-organised cross-Council Audit Committee awareness day.

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

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

The Advisory Board comprises a number of senior academic researchers and non-academic members and:

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

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

| Name                         | Attendance at Council | Attendance at Audit Committee |
|------------------------------|-----------------------|-------------------------------|
| Professor Svenja Adolphs     | 2 out of 4            |                               |
| Professor Sir Drummond Bone  | 4 out of 4            |                               |
| Professor Mike Braddick      |                       | 1 out of 1                    |
| Ms Deborah Bull              | 4 out of 4            |                               |
| Ms Jan Dalley                | 3 out of 4            | 0 out of 1                    |
| Mr Robert Dufton             | 3 out of 4            |                               |
| Professor Sir David Eastwood | 2 out of 4            |                               |
| Professor Simon Goldhill     | 3 out of 4            |                               |
| Ms Julia Grant               | 2 out of 4            |                               |
| Professor Tom Inns           | 3 out of 4            |                               |
| Mr Anthony Lilley            | 4 out of 4            |                               |
| Dr Catherine Martin          |                       | 3 out of 4                    |
| Professor Fiona Macpherson   | 3 out of 4            |                               |
| Mr Trevor Spires (AC Chair)  | 4 out of 4            | 4 out of 4                    |
| Professor Andrew Thompson    | 4 out of 4            |                               |
| Professor Greg Walker        | 3 out of 4            |                               |
| Mr Robert Williams           |                       | 3 out of 4                    |
| Ms Lucy Winskell             | 4 out of 4            |                               |

responsibilities to manage AHRC operations and finances in line with AHRC's 2016-2020 delivery plan, as well as monitoring associated risks.

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

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

## 4. Risk Management and Internal Control Framework

### a. Risk Management

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 PSU Councils.

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

AHRC's risk management process is designed to manage risk but 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 both RMC and SMT and reviewed by Audit Committee and Council at each meeting. Particular attention is paid to those highlighted

as significant high-level risks. It is through this process that AHRC manages key headline risks that could impact on the delivery of the AHRC's programmes and operations and enables mitigating actions to be agreed and implemented.

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

### b. Significant risks in 2017-18 and key mitigations

This section covers 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**

The ability of the arts and humanities to create a strong voice within UKRI creates a challenge. AHRC have fully engaged with the UKRI transition work to help shape and influence decisions and have taken the opportunity to contribute to strategic discussions over the vision of UKRI. The UKRI Transition Programme has created staffing pressures with a number of staff being involved in the various work streams and working groups. AHRC have recruited additional staff to build resilience and alleviate these pressures.

- **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, non-compliance which leads to a breach could result in fines up to 20m euros or 4% of turnover, whichever is higher, and significant reputational damage to AHRC. A cross-Council and Innovate UK project, led by the AHRC Director of Resources as SRO, has been established to take forward the changes. A 'health check' led by the Professional Support Unit, with assistance from internal audit, identified the project as a 'medium' 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 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. Staff are informed of issues through increased awareness and training. The PSU Information Systems team have remained fully committed to the continued assessment of controls and achieved Cyber Essential accreditation during 2017-18.

- **Creative Industries Clusters Programme**

AHRC's £80m programme, partly funded by BEIS, for the Creative Industries Clusters Programme, represents the largest single investment in arts and humanities-led research and innovation. The associated risk is that if the programme fails to achieve the expected outcomes and benefits this will result in significant reputational risk for AHRC. The Creative Economies sector could also struggle to secure future funding. These risks are being mitigated by the establishment of a formal Programme framework to include a formal Programme Board. Regular updates on the Programme are made to the AHRC Council and Audit Committee as well as to senior management within UKRI. These groups provide valuable advice and challenge on issues faced and the direction of travel.

- **Exiting from 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.

- c. Information Management**

The PSU Information Management Team is responsible for:

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

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

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

AHRC is committed to safeguarding information and personal data and continues to work with its key service providers to improve resilience and protect its information assets from cyber threats. Also, as discussed above, AHRC is working towards implementing the changes required to meet the 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 AHRC. During the year AHRC 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.

- d. Pay Remit**

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

- e. Health and Safety**

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

#### **f. Transparency**

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

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

#### **g. Ministerial Directions**

There were no Ministerial directions given in 2017-18.

#### **h. Tax Arrangements of public sector appointees**

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

In 2017-18 the AHRC identified two contractors who fell within the Alexander Review criteria. The AHRC has sought and gained assurance that the appropriate tax arrangements were in place for the contractors identified.

Council members are 'office holders', as defined within HMRC guidance, and their remuneration is subject to Pay as you Earn with income tax and employee National Insurance Contributions deducted at source through the payroll.

As such, AHRC is in compliance with the recommendations in the HM Treasury 'Review of the tax arrangements 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. To comply with this review and the BEIS requirements AHRC have reviewed their use of analytical modelling in 2017-18 and have not identified any that were considered to be business critical.

#### **j. Austerity Measures**

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

#### **k. Regularity and Propriety – Counter Fraud and Bribery**

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

AHRC follows the harmonised Counter Fraud and Bribery policy which is subject to annual review by the PSU Head of Risk & Governance. All staff are reminded of the policy on an annual basis, which is available through the PSU portal. This ensures that staff are aware of their responsibilities to report fraud and the process by which to do so. E-Learning awareness was rolled out to 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.

AHRC uses the harmonised Research Council Whistleblowing Policy. The Whistleblowing policy encourages and enables employees to speak out when they encounter or suspect malpractice. It guarantees whistleblowers protection consistent with the 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 which did not comply with the 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 AHRC or within UK SBS which impacted directly on AHRC.

## 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 1 April 2018, received Royal Assent on 27 April 2017. UKRI will operate across the whole of the UK with a combined budget of more than £6bn 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.

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).

## 6. Professional Support Unit (PSU)

The PSU, hosted by AHRC, provides professional services primarily 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;
- 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 SMT, which allowed governance issues to be discussed and challenged. The PSU is overseen by a Management Committee comprising the 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 provided assurance to the CEOs that the PSU had 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. In particular, the PSU Project Office provided a significant amount of project support to the various working groups. PSU has continued to provide support to AHRC; 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. This position has been regularly monitored through the PSU SMT with regular reporting to the PSU Management Committee. There were no issues in respect of service delivery raised by 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 AHRC to ensure a sound system of internal control is being maintained. In 2017-18 this review has been informed by the work of:

- AHRC's Director of Resources;
- Audit Committee;
- Internal Audit;
- External Audit;
- Cross-Council assurance programmes.

The conclusion of my review is covered below.

### a. AHRC Director

The AHRC Director of Resources produces quarterly reports on his stewardship and management of internal control within his area of responsibility. The main areas raised were:

- The developing body of work around the Creative Clusters Programme to create the required control and assurance framework;

- The increasing focus of Funding Assurance to provide adequate assurance covering international and third-party funding;
- The 'Limited Assurance' given by internal audit to the Digital and Technology Programme and the resulting re-scoping in January 2018 of the project to set a more realistic and achievable approach;
- The work being undertaken to implement the new GDPR requirements;
- The successful upgrade of the Research Councils' ORACLE Estate to bring the platform up to Version 12.1.3;
- The staffing pressures created by the UKRI Transition Programme on both AHRC and PSU resources and the recruitment undertaken to build resilience within AHRC;
- The lack of a Director of Research, which has placed additional pressures on the Director of Resources and Associate Directors;
- The lack of clarity and progress around the transition to UKRI and the proposed governance and operating arrangements.

Where issues have emerged these are either reflected in the AHRC corporate risk register or regularly reviewed as emerging risks and therefore managed through the existing risk management process. Alternatively, they are dealt with through SMT discussion and engagement. I am content that the 2017-18 reports provided me with reasonable assurance that a sound internal control framework is in place.

#### **b. Audit Committee**

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

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

Internal Audit is provided by the Government Internal Audit Agency (GIAA). The Head of Internal Audit is required to provide me with an opinion on the overall adequacy and effectiveness of AHRC's framework of governance, risk management and internal control. This opinion is informed by the internal audit work completed during the year, in line with the internal audit plan agreed by management and the Audit Committee. The work of

GIAA provides assurance in two areas: core AHRC activities and cross-Council activities with an AHRC involvement.

In 2017-18, based on the audit work covered below, GIAA was able to provide AHRC with an overall Moderate Level of assurance (Assurance Levels: Substantial; Moderate; Limited; Unsatisfactory) on the adequacy and effectiveness of the AHRC's internal controls, risk management and governance processes.

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

#### ● **Core AHRC Audits**

The Core audits undertaken in 2017-18 were:

- Financial Accounting and Management – Moderate Assurance;
- Creative Clusters (Phase 1) – Advisory;
- Creative Clusters (Phase 2) – (Moderate);
- PSU – Commissioning of Large Infrastructure Projects – (Moderate);
- PSU – Cyber Security Application and Compliance – (Moderate);
- Follow up of Audit Recommendations – Advisory.

All accepted recommendations in relation to the above audits have implementation plans in place. No 'High Priority' recommendations remained open beyond their agreed implementation date from 2017-18 or previous year audits.

#### ● **Cross-Council Audits**

In 2017-18, GIAA carried out 20 cross-Council audits that were relevant to AHRC.

The following audits received Limited Assurance and where appropriate AHRC 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.

I take assurance that where recommendations relate specifically to or have an impact on AHRC their implementation is closely monitored by PSU. The implementation of recommendations of a cross-Council nature is monitored through the cross-Council Governance, Risk, Assurance & Improvement Network or through the appropriate functional governance group within the Councils.

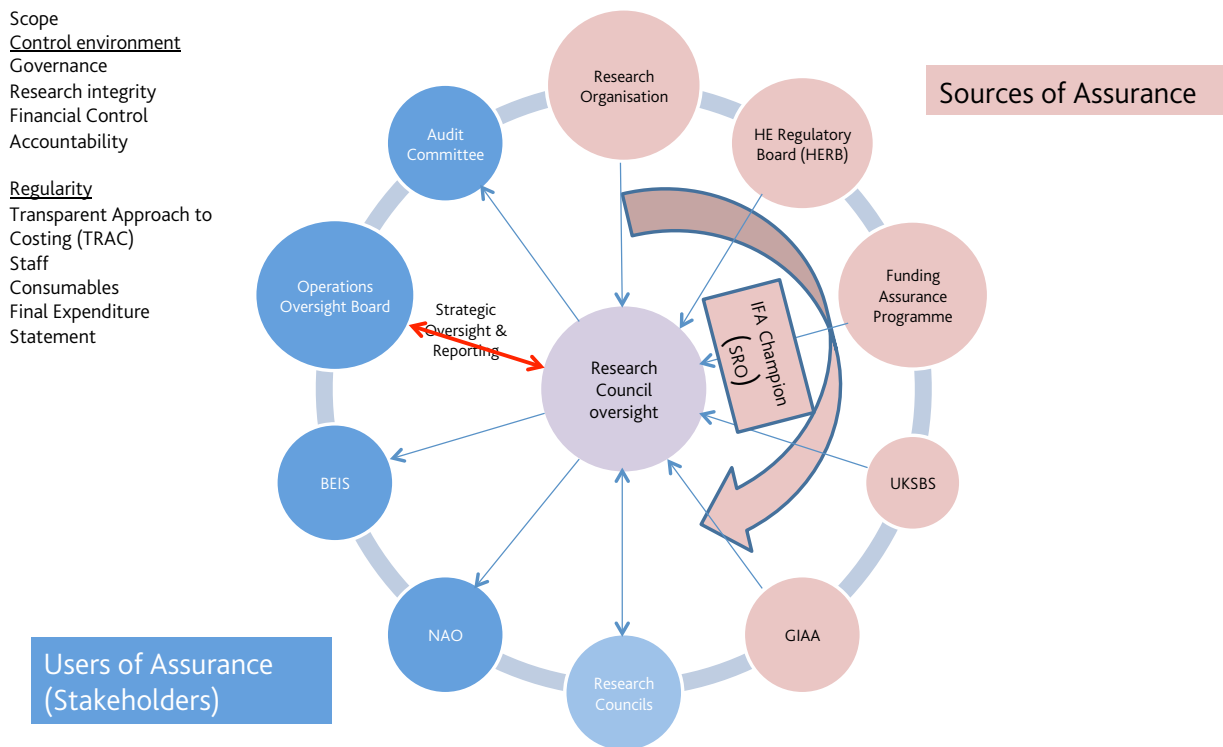
#### d. Funding Assurance

Across the Research Council community research funding totals £2.9bn, of which £109m relates to AHRC. The funding landscape has two major funding streams:

- Grants administered through the SIEBEL system c£105m and awarded to eligible Research Organisations (ROs);
- Funding distributed outside the SIEBEL system c£4m 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 built on establishing appropriate accountability within the RO in receipt of funding and collating assurance from a range of sources for key stakeholders as shown below.

Figure 1: IFA Framework



## SIEBEL Grants

The assurance provided through this framework indicates a 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.

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.

Some of the key changes during the year have been:

- amendments to the grant terms and conditions to provide greater clarity on RC'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

The grants which do not pass through SIEBEL, including Strategic partnerships, amount to £4m for AHRC.

Collaborative research to BEIS and Partner Organisations represents the major part of AHRC non-SIEBEL funding (£3m) 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 areas include AHRC's contribution to the Humanities in the European Research Area (£0.7m) and individual subscriptions, which are covered by 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

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' through:

- the assurance from the Higher Education Regulatory Bodies that the control systems within HEI's are working effectively;
- the work undertaken by the Funding Assurance Programme (FAP).

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 which require disclosure here.

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

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 their Head of Internal Audit 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 AHRC 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;
- GPC 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; it should be noted however that the recommendations in respect of GPC are not applicable to AHRC. The remaining recommendations have either now been closed or identified for cross-Council action during 2018-19.

#### **f. External Audit**

The AHRC Annual Report and Accounts is audited by the Comptroller and Auditor General who produces an Audit Completion Report. The report is presented to Audit Committee with any highlighted governance issues discussed.

### **Conclusion**

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



**Professor Andrew Thompson**  
Accounting Officer  
25 June 2018

# Remuneration and Staff Report

## Council Chair and Council Members except Chief Executive

### Unaudited Information

#### Policy

The Chair and Council members receive a letter of appointment from the Department for Business, Energy & Industrial Strategy (BEIS) and are not employees of the AHRC, although remuneration is made through the AHRC payroll. The terms of appointment allow for members to resign from office by notice in writing to the Secretary of State. Members may also be removed from office by the Secretary of State on grounds of incapacity or misbehaviour or a failure to observe the terms and conditions of appointment.

Council Chair and Council Member appointments are Ministerial Appointments made by the Secretary of State for BEIS. The process for new appointments to the Council Chair and Council Members is regulated by the Commissioner for Public Appointments and 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 the AHRC, Council members are refunded for reasonable expenses. Remuneration rates for Council Chair and Council Members are the same across Research Councils. Members of Council who are civil servants are not entitled to receive an honorarium.

On 1 April 2018 the staff, assets and activity of the Research Councils moved 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.



## Unaudited Information

### Remuneration

| Council Chair and Council Members           | Period of Appointment | 2017-18<br>Remuneration<br>£000 | 2016-17<br>Remuneration<br>£000 |
|---|-----------------------|---------------------------------|---------------------------------|
| Professor Sir Drummond Bone (Council Chair) | 01/02/14 – 31/10/18   | 15–20                           | 15–20                           |
| Ms Deborah Bull                             | 01/09/13 – 31/03/18   | 5–10                            | 5–10                            |
| Ms Janet Dalley                             | 01/09/13 – 31/03/18   | 5–10                            | 5–10                            |
| Mr Anthony Lilley                           | 01/09/13 – 31/10/18   | 5–10                            | 5–10                            |
| Professor Svenja Adolphs                    | 22/09/14 – 31/10/18   | 5–10                            | 5–10                            |
| Mr Robert Dufton                            | 22/09/14 – 31/10/18   | 5–10                            | 5–10                            |
| Professor Tom Inns                          | 22/09/14 – 31/10/18   | 5–10                            | 5–10                            |
| Professor Fiona MacPherson                  | 22/09/14 – 31/10/18   | 5–10                            | 5–10                            |
| Mr Trevor Spires*                           | 01/09/10 – 31/03/18   | 5–10                            | 5–10                            |
| Professor Sir David Eastwood                | 01/09/11 – 31/10/18   | 5–10                            | 5–10                            |
| Professor Simon Goldhill                    | 01/09/15 – 31/10/18   | 5–10                            | 5–10                            |
| Ms Julia Grant                              | 01/09/15 – 31/10/18   | 5–10                            | 5–10                            |
| Professor Greg Walker                       | 01/09/11 – 31/10/18   | 5–10                            | 5–10                            |
| Ms Lucy Winskell                            | 01/09/15 – 31/10/18   | 5–10                            | 5–10                            |

\* Term of appointment ends 31/03/18 but to continue as observer on legacy council



## Audited Information

### Chief Executive and AHRC Directors

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

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

- Benchmarking against comparators in other Research councils;
- Annual increases agreed for other staff pay grades within AHRC;
- BEIS and Government pay policy guidelines and constraints.

There is no separate Remuneration Committee that considers the pay of other employees as they are covered by a collective agreement with trade unions which is managed through the Research Council Harmonised Pay consortium. All pay awards are subject to a satisfactory performance assessment. The amount of any non-

consolidated one-off payment is determined by the level of performance rating within the year.

### Contracts of Employment

#### Chief Executive

Professor Andrew Thompson took up the post of Interim Chief Executive of AHRC on 1 December 2015, taking up the role permanently from 27 March 2017, seconded from the University of Exeter.

#### Directors

All Directors are employees of the AHRC. The Chief Executive and all Directors are subject to a notice period of 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.

#### Highly Paid Employees

There are 2 employees who meet the criteria of being engaged as at 31 March 2018 and receive a day rate greater than £245. One individual works in PSU Finance, post end date October 2018, the other in PSU Joint Reprographic Service (JRS), post end date July 2018. Both Individuals are gauged to be under IR35 legislation and taxed accordingly.

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

### Audited Information Remuneration of Directors

| Chief Executive and Directors  | 2017-18 |                    |                   |         | 2016-17 |                    |                   |         |
|--|---------|--------------------|-------------------|---------|---------|--------------------|-------------------|---------|
|  | Salary  | Bonus <sup>1</sup> | Pension Benefits* | Totals  | Salary  | Bonus <sup>1</sup> | Pension Benefits* | Totals  |
|  | (£000)  | (£000)             | (£000)            | (£000)  | (£000)  | (£000)             | (£000)            | (£000)  |
| Professor Andrew Thompson, CE <sup>1</sup>                             | 105–110 | 0                  | 10–15             | 120–125 | 85–90   | 0                  | 10–15             | 95–100  |
| Mr Graham Raikes, Director and Head of Professional Support Unit (PSU) | 105–110 | 0–5                | 45–50             | 155–160 | 105–110 | 5–10               | 40–45             | 150–155 |
| Professor Mark Llewellyn, Director of Research <sup>2</sup>            | 55–60   | 0                  | 0–5               | 55–60   | 80–85   | 0–5                | 15–20             | 125–130 |

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

1 The pension benefit disclosure for Professor Thompson is not equivalent to the pension benefit disclosure of the other AHRC directors, it is the re-imbursement of the contributions AHRC makes to the University of Exeter in respect of Professor Thompson's pension.

2 Professor Mark Llewellyn left AHRC on 28 April 2017. His salary amount includes 1 month's pro-rata pay and £46k of severance pay.



## Audited Information Fair Pay

|   | 2017-18         | 2016-17        |
|---|-----------------|----------------|
| Banded remuneration of highest-paid director (£000) | 110–115         | 110–115        |
| Median remuneration of AHRC workforce (£)           | 30,957          | 30,853         |
| Range of staff remuneration (£)                     | 7,355 - 120,396 | 15,263-124,906 |
| Ratio   | 3.63            | 3.65           |

Reduction in lowest range due to inclusion of seconded-in staff member who is only 0.54 FTE

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-imbursement of expenses, employer pension contributions and the cash equivalent transfer value of pensions. There has been an increase to the average annual earnings (excluding bonuses) for these members of staff of 0.33% between 2016-17 and 2017-18.

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. There were no benefits in kind paid to any of the AHRC Executive in 2017-18.

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.

The Professional Support Unit (PSU) was created in the year 2013-14. Mr G Raikes, Director of Resources for AHRC, is also the Head of the PSU. In 2017-18 he was the Director responsible for service provision to each Research Council for all PSU services provided to that Council and he reports to the CEO of each of the Councils supported by the PSU. A proportion of Mr Raikes' salary is recharged across the PSU Councils as part of the agreed PSU charging process. The Remuneration of the Head of PSU is determined by the employing Council's Remuneration Committee. A PSU recharge is necessary to ensure each of the Council's costs fairly reflects the services received.

## Pension Benefits

| Chief Executive and Directors  | Accrued pension at pension age as at 31-03-18 and related lump sum (£000) | Real increase in pension and lump sum at pension age (£000) | CETV at 31-03-18 (£000) | CETV at 31-03-17 (£000) | Real increase in CETV (£000) |
|--|---|---|-------------------------|-------------------------|------------------------------|
| Professor Andrew Thompson, Chief Executive**                           | -   | -   | -                       | -                       | -                            |
| Mr Graham Raikes, Director and Head of Professional Support Unit (PSU) | 20–25<br>No lump sum  | 2.5–5<br>No lump sum  | 325                     | 274                     | 36                           |
| Professor Mark Llewellyn, Director                                     | 0–5<br>No lump sum  | 0–2.5<br>No lump sum  | 215                     | 214                     | Information not available*   |

\* The Universities Superannuation Scheme (USS) do not provide this information.

\*\* Secondment from University of Exeter, joined 01-12-2015. As Professor Thompson is not an AHRC Employee, his pension details are not disclosed in this report.

## Unaudited Information

### Pension Schemes

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

Research Councils' 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 Board of Management on the recommendation of the scheme actuary, Government Actuary's Department (GAD), and is set at 26% 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 earnings brackets were as follows:

| Annualised pensionable earnings | Classic % contribution rate before tax relief | Classic Plus, Premium and Nuvos % contribution rate before tax relief |
|---------------------------------|---|---|
| Up to £15,000                   | 3.80  | 4.60  |
| £15,001–21,210                  | 4.60  | 4.60  |
| £21,211–48,471                  | 5.45  | 5.45  |
| £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 is £633.60 (16/17 £434.34).

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 PCSPS launched a new pension scheme called Alpha. This scheme is similar to the Nuvos career average scheme but with the retirement age aligned to the state pension age. RCPS cannot operate by analogy to

the new Alpha scheme as the legislation does not permit this. Reform options are currently being discussed with HM Treasury, and BEIS have given permission for RCPS to continue 'as is' beyond April 2015. 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 AHRC in an independently administered scheme. It is not possible to identify the AHRC's share of the underlying assets and liabilities of any of the pension schemes. In RCPS, AHRC has no legal or constructive obligation to pay those future benefits. Its only obligation is to pay the contributions as they fall due and, if the entity ceases to employ members of RCPS, it will have no obligation to pay the benefits earned by its own employees in previous years. For this

reason, RCPS is treated as a defined contribution plan as stated in IAS 19.

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

Formal actuarial valuations are used to determine employer and employee contribution rates. The last actuarial valuation undertaken for the RCPS, as at 31 March 2006, was completed in 2008-09. An actuarial valuation as at 31 March 2010 was initiated but not completed due to HM Treasury suspending all public sector pension scheme valuations whilst reform policies were being developed. HM Treasury has since concluded their reform policy, which enabled the Government Actuary Department to start the process of completing a revised scheme valuation. This valuation will be as at 31 March 2012 in accordance with HM Treasury revised scheme valuation directions. The conclusion of the scheme valuation is directly linked to the reform of the RCPS and therefore future employer contribution rates will be established once the scheme reforms are implemented, which is expected in April 2018.

For 2017-18, employer's contributions of £1,110k were payable to RCPS (2016-17 £1,780k) at 26% of pensionable pay for all the salary bands.

### **Universities Superannuation Scheme**

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

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

From 1 October 2011 this section was closed to new entrants and new entrants joined a Career Revalued Benefits scheme. This was a career average pension scheme for which employee contribution were 6.5% and employer contributions 16%.

Benefits accrued at the rate of 1/80th of pensionable salary for each year of service. In addition a lump sum of 3/80ths of pensionable salary for each year of pensionable service was payable tax-free on retirement.

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

If an employee earns above threshold (£57,216.5 2017-18) any additional employee contributions and 12% of the employer contribution rate are paid into the USS Investment Builder.

Pensions payable are increased in the same manner and subject to the same conditions as are official pensions under the Pensions (Increase) Act 1971 and subsequent amendments. The increases are currently in line with changes in the CPI.

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

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

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

The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the Research Councils' pension arrangements and for which the RCPS has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension

service in the scheme at their own cost. CETVs are worked out within the guidelines and framework prescribed by the Institute and Faculty of Actuaries and do not take account of any actual or potential reduction to benefits resulting from Lifetime Allowance Tax which may be due when pension benefits are taken.

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

This reflects the increase in CETV effectively funded by the employer. It does not include the increase in accrued pension due to inflation, 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

### AHRC Staff Report

#### Staff Numbers and Related Costs

| Staff Costs   | 2017-18<br>Total<br>£000 | 2016-17<br>Total<br>£000 |
|---|--------------------------|--------------------------|
| Wages and Salaries  | 5,076                    | 3,757                    |
| Social Security Costs   | 467                      | 347                      |
| Other Pension Costs   | 1,110                    | 1,780                    |
| Temp Staff  | 683                      | 519                      |
| Secondment Expenditure  | 494                      | 449                      |
| <b>Total Staff Costs as per Statement of Comprehensive Net Expenditure</b>  | <b>7,830</b>             | <b>6,852</b>             |
| Less recoveries in respect of outward secondments                           | (615)                    | (356)                    |
| <b>Total Staff Costs after deduction of income received for secondments</b> | <b>7,215</b>             | <b>6,496</b>             |

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

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

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

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

| Staff Numbers                | 2017-18   |           | 2016-17   |           | Total      |            |
|------------------------------|-----------|-----------|-----------|-----------|------------|------------|
|                              | AHRC      | PSU       | AHRC      | PSU       | 2017-18    | 2016-17    |
| Directly Employed/Core Staff | 65        | 72        | 57        | 47        | 137        | 104        |
| Seconded In                  | 2         | 16        | 2         | 2         | 18         | 4          |
| Temporary Staff              | -         | 7         | -         | 4         | 7          | 4          |
| <b>Staff Numbers</b>         | <b>67</b> | <b>95</b> | <b>59</b> | <b>53</b> | <b>162</b> | <b>112</b> |
| Seconded Out                 | (6)       | (4)       | (3)       | (5)       | (10)       | (8)        |
| <b>Staff Numbers</b>         | <b>61</b> | <b>91</b> | <b>56</b> | <b>48</b> | <b>152</b> | <b>104</b> |

|   | 2017-18   |           | 2016-17   |           | Total      |            |
|---|-----------|-----------|-----------|-----------|------------|------------|
|   | Male      | Female    | Male      | Female    | 2017-18    | 2016-17    |
| Directors                                 | 1         | -         | 2         | -         | 1          | 2          |
| Senior Managers                           | 9         | 8         | 4         | 5         | 17         | 9          |
| Other Employees                           | 46        | 73        | 34        | 59        | 119        | 93         |
| <b>Total Directly Employed/Core Staff</b> | <b>56</b> | <b>81</b> | <b>40</b> | <b>64</b> | <b>137</b> | <b>104</b> |

## Audited Information

### Civil Service Compensation Scheme Analysis

| Value                                | Compulsory Redundancies |         | Other Departures |          | Total Departures |          | Total Packages  |                 |
|--------------------------------------|-------------------------|---------|------------------|----------|------------------|----------|-----------------|-----------------|
|                                      | 2017-18                 | 2016-17 | 2017-18          | 2016-17  | 2017-18          | 2016-17  | 2017-18<br>£000 | 2016-17<br>£000 |
| <£10,000                             | -                       | -       | -                | -        | -                | -        | -               | -               |
| £10,000–24,999                       | -                       | -       | -                | -        | -                | -        | -               | -               |
| £25,000–49,999                       | -                       | -       | -                | 1        | -                | 1        | -               | 49              |
| £50,000–99,999                       | -                       | -       | -                | -        | -                | -        | -               | -               |
| £100,000–149,999                     | -                       | -       | -                | -        | -                | -        | -               | -               |
| £150,000–200,000                     | -                       | -       | -                | -        | -                | -        | -               | -               |
| <b>Total Number of Exit Packages</b> | -                       | -       | -                | <b>1</b> | -                | <b>1</b> | -               | <b>49</b>       |

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972.

## Unaudited Information

### Staff Policies

#### Sickness Absence

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

|                                     | 2017-18 | 2016-17 |
|-------------------------------------|---------|---------|
| Average number of staff during year | 162     | 112     |
| Total days lost to sickness         | 1101    | 1226    |
| Average working days lost           | 7       | 11      |
| Days lost to long-term absences     | 428     | 433     |

| Common causes of absence            | Days lost  | %         |
|-------------------------------------|------------|-----------|
| Anxiety/Stress Related <sup>1</sup> | 219        | 20        |
| Cold/Cough/Flu                      | 184        | 17        |
| Gastrointestinal                    | 43         | 4         |
| Headache/Migraine/Concussion        | 37         | 3         |
| Vomiting                            | 32         | 3         |
| <b>Total</b>                        | <b>515</b> | <b>47</b> |

<sup>1</sup> 'Anxiety/Stress Related' absence relates to 8 staff members being on leave for longer than one week. Both AHRC and PSU staff members are included in the figure

## Diversity and Equality

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

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

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

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 2017. More information about the UK's approach to the gender pay gap is available on the government website.

AHRC's gender pay gap report has been published on the external AHRC website and on the online government portal<sup>1</sup>. This report explains our gender pay gap and puts it into an organisational context. The comparison of mean pay in AHRC shows a gap in favour of males of 10%, whilst a comparison of median pay shows a gap in favour of males of 0.4%. The report also explains the plans within AHRC 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 ongoing dialogue between all colleagues within AHRC. PSU, which was formed in 2013-14 and is hosted by AHRC, continues to engage with colleagues to facilitate management and policy matters for HR, Finance, IT and Project work in support of AHRC, ESRC and EPSRC.

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

In 2017, AHRC participated in the Civil Service People Survey for the first time. The survey includes five questions that make up the Employee Engagement Index. The index score represents the average level of engagement and ranges from 0 to 100. An index score of 0 represents all respondents saying they strongly disagree to all five engagement questions and a score of 100 represents all respondents saying they strongly agree to all five engagement questions. Results were as follows:

- AHRC had 73% employee participation against 48% for the Research Councils as an average;
- AHRC had an employee engagement index of 62 against a score of 66 for the Research Councils as a whole.

<sup>1</sup><https://gender-pay-gap.service.gov.uk>



## Health and Safety

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

## 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 |
|--|--------------------------------------|
| 2  | 150.4                                |

**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 |
|--------------------|---------------------|
| 0%                 | 1                   |
| 1%-50%             | 1                   |
| 51%-99%            | 0                   |
| 100%               | 0                   |

**Table 3: Percentage of pay bill 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.

| First Column   | Figures    |
|--|------------|
| Provide the total cost of facility time  | £2,689     |
| Provide the total pay bill   | £7,830,583 |
| Provide the percentage of the total pay bill spent on facility time, calculated as: (total cost of facility time ÷ total pay bill) x 100 | 0.03%      |

**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?

| Total   |       |
|---|-------|
| Time spent on paid trade union activities as a percentage of total paid facility time hours calculated as: (hours spent on paid trade union activities by relevant union officials during the relevant period ÷ total paid facility time hours) x 100 | 3.65% |

# 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.

### Special payments and losses

AHRC has recognised a supplementary payment of £2.9k, relating to a 2016-17 leaver, following an unrelated High Court challenge by the Public and Commercial Services Union to the Civil Service Compensation Scheme. The supplementary payment was made during the 2017-18 year.

### Remote contingent liabilities

The AHRC has no contingent liabilities as at 31 March 2018.



**Professor Andrew Thompson**  
Accounting Officer  
25 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 Arts and Humanities Research Council for the year ended 31 March 2018 under the Higher Education Act 2004. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes 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 Arts and Humanities 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 Higher Education Act 2004 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

## 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 Arts and Humanities 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 Arts and Humanities Research Council and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Arts and Humanities 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 Higher Education Act 2004.

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 Arts and Humanities 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 Arts and Humanities 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 Arts and Humanities 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 Higher Education Act 2004;
- in the light of the knowledge and understanding of the Arts and Humanities 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.

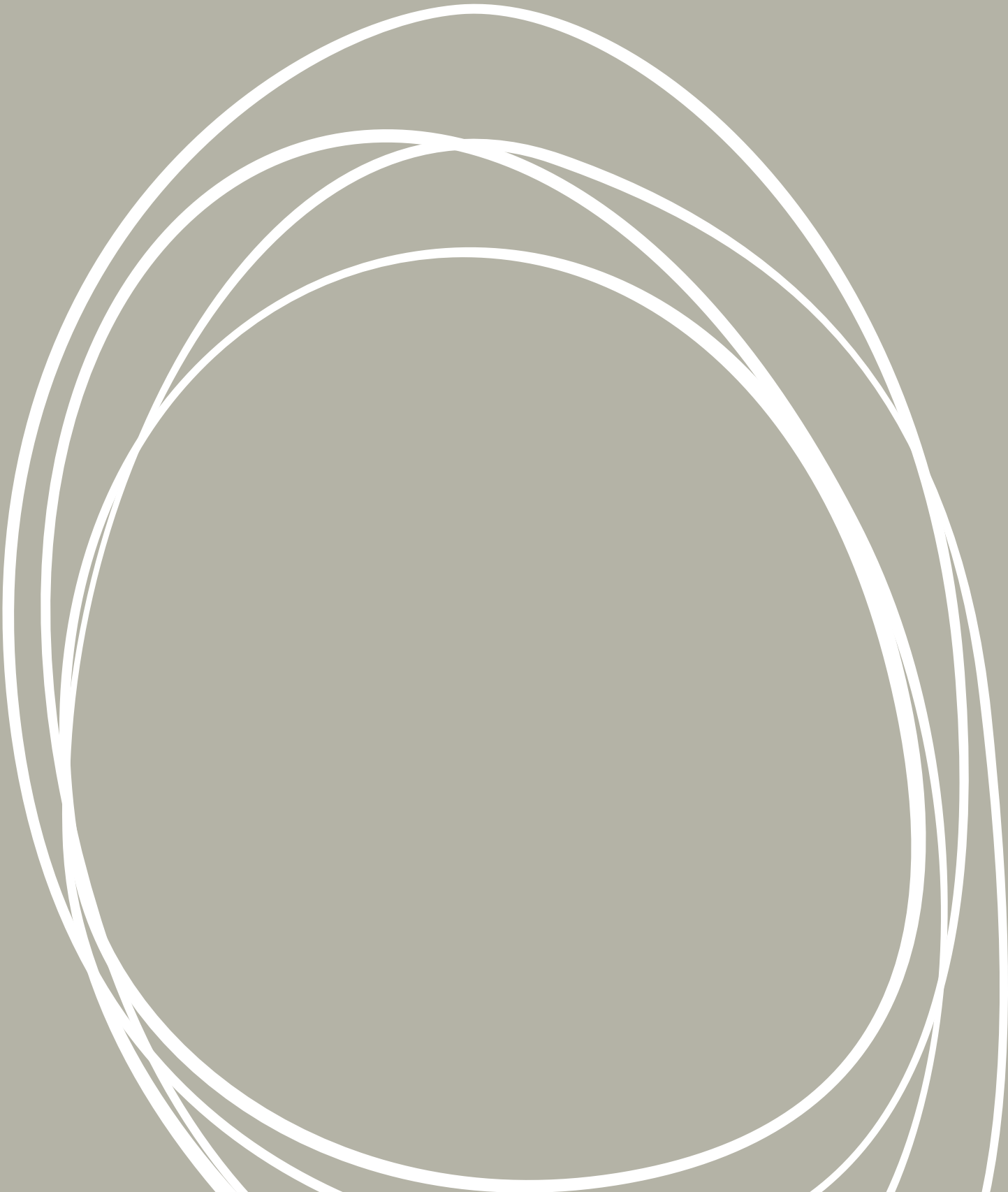
**Sir Amyas C E Morse**

Comptroller and Auditor General

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

5 July 2018

# Financial Statements



# STATEMENT OF COMPREHENSIVE NET EXPENDITURE

## for the year ended 31 March 2018

|                                     | Note | 2017-18<br>£000 | 2016-17<br>£000 |
|-------------------------------------|------|-----------------|-----------------|
| <b>Total Operating Income</b>       | 6    | <b>(6,472)</b>  | <b>(5,695)</b>  |
| Staff Costs                         | 3    | 7,830           | 6,852           |
| Purchase of Goods and Services      | 5    | 2,203           | 1,585           |
| Depreciation and Impairment Charges |      | 35              | 32              |
| Provision Expense                   | 10   | 4               | 15              |
| Research and Development            | 4    | 108,856         | 103,263         |
| Notional Service Charge             |      | 765             | 978             |
| <b>Total Operating Expenditure</b>  |      | <b>119,693</b>  | <b>112,725</b>  |
| <b>Net Operating Expenditure</b>    |      | <b>113,221</b>  | <b>107,030</b>  |

The notes on pages 54-64 form part of these accounts.



# STATEMENT OF FINANCIAL POSITION

as at 31 March 2018

|  | Note | As at March 2018<br>£000 | As at March 2017<br>£000 |
|--|------|--------------------------|--------------------------|
| <b>Non-current Assets</b>                    |      |                          |                          |
| Property, Plant and Equipment                |      | 24                       | 34                       |
| Intangible Assets                            |      | 0                        | 11                       |
| <b>Total Non-current Assets</b>              |      | <b>24</b>                | <b>45</b>                |
| <b>Current Assets</b>                        |      |                          |                          |
| Trade and Other Receivables                  | 7    | 4,774                    | 11,314                   |
| Cash and Cash Equivalents                    | 8    | 7,112                    | 4,426                    |
| <b>Total Current Assets</b>                  |      | <b>11,886</b>            | <b>15,740</b>            |
| <b>Total Assets</b>                          |      | <b>11,910</b>            | <b>15,785</b>            |
| <b>Current Liabilities</b>                   |      |                          |                          |
| Trade and Other Payables                     | 9    | (6,134)                  | (7,807)                  |
| Provisions                                   | 10   | (17)                     | (17)                     |
| <b>Total Current Liabilities</b>             |      | <b>(6,151)</b>           | <b>(7,824)</b>           |
| <b>Total Assets less Current Liabilities</b> |      | <b>5,759</b>             | <b>7,961</b>             |
| <b>Non-current Liabilities</b>               |      |                          |                          |
| Provisions                                   | 10   | (100)                    | (114)                    |
| <b>Total Non-current Liabilities</b>         |      | <b>(100)</b>             | <b>(114)</b>             |
| <b>Total Assets less Liabilities</b>         |      | <b>5,659</b>             | <b>7,847</b>             |
| <b>Taxpayers' Equity and Other Reserves</b>  |      |                          |                          |
| General Fund                                 |      | 5,659                    | 7,847                    |
| <b>Total Taxpayers' Equity</b>               |      | <b>5,659</b>             | <b>7,847</b>             |

The notes on pages 54-64 form part of these accounts.

Council, on 22 February 2018, delegated authority to the Audit and Risk Assurance Committee for approval of the financial statements.

The financial statements on pages 50-53 were approved by the Audit and Risk Assurance Committee and signed on its behalf by:



**Professor Andrew Thompson**  
Accounting Officer  
25 June 2018

# STATEMENT OF CASH FLOWS

## for the year ended 31 March 2018

|   | Note     | 2017-18<br>£000  | 2016-17<br>£000  |
|---|----------|------------------|------------------|
| <b>Cash Flows from Operating Activities</b>                               |          |                  |                  |
| Net Operating Expenditure for the Year                                    |          | (113,221)        | (107,030)        |
| Notional Service Charge   |          | 765              | 978              |
| Depreciation and Impairment Charges                                       |          | 35               | 32               |
| (Increase)/Decrease in Trade and Other Receivables                        | 7        | 6,540            | (1,899)          |
| Increase/(Decrease) in Trade and Other Payables                           | 9        | (1,673)          | 1,790            |
| Use of Provisions   | 10       | (14)             | (3)              |
| <b>Net Cash Outflow from Operating Activities</b>                         |          | <b>(107,568)</b> | <b>(106,132)</b> |
| <b>Cash Flow from Investing Activities</b>                                |          |                  |                  |
| Purchase of Property, Plant and Equipment                                 |          | (14)             | -                |
| Purchase of Intangible Assets   |          | -                | (7)              |
| <b>Total Cash Flow from Investing Activities</b>                          |          | <b>(14)</b>      | <b>(7)</b>       |
| <b>Cash Flows from Financing Activities</b>                               |          |                  |                  |
| Grant-in-Aid Received from BEIS   |          | 110,268          | 104,383          |
| <b>Net Financing</b>  |          | <b>110,268</b>   | <b>104,383</b>   |
| <b>Net Increase/(Decrease) in Cash and Cash Equivalents in the Period</b> | <b>8</b> | <b>2,686</b>     | <b>(1,756)</b>   |
| <b>Cash and Cash Equivalents at the Beginning of the Period</b>           | <b>8</b> | <b>4,426</b>     | <b>6,182</b>     |
| <b>Cash and Cash Equivalent at the End of the Period</b>                  | <b>8</b> | <b>7,112</b>     | <b>4,426</b>     |

The notes on pages 54-64 form part of these accounts.

# STATEMENT OF CHANGES IN TAXPAYERS' EQUITY

## for the year ended 31 March 2018

|                                 | Note | General Reserve<br>£000 | Total Reserves<br>£000 |
|---------------------------------|------|-------------------------|------------------------|
| <b>Balance at 1 April 2016</b>  |      | 9,516                   | 9,516                  |
| Grant in Aid received from BEIS |      | 104,383                 | 104,383                |
| Net Expenditure for the Year    |      | (107,030)               | (107,030)              |
| Notional Service Charge         |      | 978                     | 978                    |
| <b>Balance at 31 March 2017</b> |      | <b>7,847</b>            | <b>7,847</b>           |
| <b>Balance at 1 April 2017</b>  |      | <b>7,847</b>            | <b>7,847</b>           |
| Grant in Aid received from BEIS |      | 110,268                 | 110,268                |
| Net Expenditure for the Year    |      | (113,221)               | (113,222)              |
| Notional Service Charge         |      | 765                     | 765                    |
| <b>Balance at 31 March 2018</b> |      | <b>5,659</b>            | <b>5,659</b>           |

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

The notes on pages 54-64 form part of these accounts.

# NOTES TO THE ACCOUNTS

## 1. Statement of Accounting Policies

### a. Basis of Accounting and Accounting Convention

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

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

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

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

### Going Concern

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 AHRC for this period.

As the functions previously provided by AHRC will continue to be provided by UKRI with the same assets and liabilities, it remains appropriate for the financial statements of AHRC for the financial year ended 31 March 2018 to be prepared on a going-concern basis in accordance with the Government Financial Reporting Manual 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 the AHRC.

### 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.

AHRC's assessment is that these new IFRS will not have a material impact on AHRC, 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 the AHRC's case this includes Grant-in-Aid from the Department for Business, Energy & Industrial Strategy.

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

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

## **c. Non-current Assets**

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

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

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

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

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

|                       |         |
|-----------------------|---------|
| IT Equipment          | 3 years |
| Fixtures and Fittings | 5 years |

### *Intangible Assets*

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

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

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

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

# NOTES TO THE ACCOUNTS

## *Impairment of Non-current Assets*

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

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

## **d. Ownership of Equipment Purchased with Council Grants**

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

## **e. Grants**

Subject to the terms and conditions under which research grants are awarded, the AHRC makes payments for grants on the basis of pre-determined quarterly profiles. Profiles are arranged, in overall terms, to reflect the rate and incidence of expenditure at the grant-holding organisation. Payments are normally made in the period to which they relate, although the AHRC retains some latitude in timing. Grant expenditure is accounted for on an accruals basis to reflect the usage of grant funds on work carried out. Future commitments at the Statement of Financial Position date are disclosed in Note 11.

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

## **f. Financial Instruments**

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

### *Trade Receivables*

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

### *Trade Payables*

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

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

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

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

Provisions are recognised when there is a present legal or constructive obligation as a result of past events, for which it is probable that an outflow of economic benefit will be required to settle the obligation, and where the amount of the obligation can be reliably estimated (see Note 10).

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

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

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

## **i. Pension Costs**

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

## **j. Early Departure Costs**

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

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

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

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

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank (Government Banking Service). No cash in hand is held, and surplus funds are not invested as detailed in paragraph 'f. Financial Instruments'.

## **m. Employee Benefits**

When an employee has reduced service during an accounting period, the short-term employee benefits (e.g. salaries, annual leave) will be recognised in the period in which they are earned.



# NOTES TO THE ACCOUNTS

## 2. Statement of Operating Costs by Operating Segment

| 2017-18                                   | Research<br>£000 | Postgraduate<br>£000 | Other<br>Programme<br>£000 | Administration<br>£000 | 2017-18<br>Total<br>£000 |
|---|------------------|----------------------|----------------------------|------------------------|--------------------------|
| Income                                    | -                | -                    | (2,328)                    | (4,144)                | (6,472)                  |
| Staff Costs                               | -                | -                    | 1,977                      | 5,853                  | 7,830                    |
| Purchase of Goods and Services            | -                | -                    | 781                        | 1,422                  | 2,203                    |
| Depreciation, Amortisation and Impairment | -                | -                    | -                          | 35                     | 35                       |
| Provision Expense                         | -                | -                    | -                          | 4                      | 4                        |
| Research and Development                  | 72,287           | 36,569               | -                          | -                      | 108,856                  |
| Notional Service Charge                   | -                | -                    | -                          | 765                    | 765                      |
| <b>Net Operating Expenditure</b>          | <b>72,287</b>    | <b>36,569</b>        | <b>430</b>                 | <b>3,935</b>           | <b>113,221</b>           |

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

The accounts for the year ended 31 March 2018 recorded Net Operating Expenditure of £113.2m compared with £107m for 2016-17, which is an overall increase of 5.8%. The majority of this increase occurred in the Research and Postgraduate Awards segments detailed in note 4 overleaf.

| 3. Staff Costs         | 2017-18<br>£000 | Adjusted<br>2016-17<br>£000 |
|------------------------|-----------------|-----------------------------|
| *Wages and Salaries    | 6,250           | 4,728                       |
| Social Security Costs  | 467             | 347                         |
| Other Pension Costs    | 1,110           | 1,780                       |
| <b>Total Net Costs</b> | <b>7,827</b>    | <b>6,855</b>                |

The reported total for social security costs includes payments totalling £8k in respect of the Apprenticeship Levy Scheme.

\*The wages and salaries category has been adjusted for a supplementary payment made to a 2016-17 leaver of £2.9k. More information can be found in the 'special payments and losses' section of the Parliamentary Accountability and Audit Report on page 45.

# NOTES TO THE ACCOUNTS

| <b>4a. Research</b>                       | <b>2017-18</b> | <b>2016-17</b> |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| Responsive                                | 37,923         | 37,064         |
| Themed/Directed Research                  | 15,135         | 16,693         |
| Knowledge Transfer                        | 6,093          | 5,491          |
| Capital Grants                            | (3)            | 154            |
| International Engagement                  | 441            | 666            |
| RCUK Operations                           | 119            | 112            |
| Open Access                               | 1,143          | 485            |
| Cross-Council Responsive Mode Awards      | 457            | 356            |
| Newton                                    | 1,030          | 1,052          |
| Industrial Strategy Challenge Fund (ISCF) | 1,603          | -              |
| Global Challenges Research Fund           | 8,346          | 5,885          |
| <b>Total Expenditure on Research</b>      | <b>72,287</b>  | <b>67,958</b>  |

| <b>4b. Postgraduate Awards</b>                  | <b>2017-18</b> | <b>2016-17</b> |
|---|----------------|----------------|
|   | <b>£000</b>    | <b>£000</b>    |
| Block Grant Partnerships (BGP)                  | 30,875         | 30,227         |
| Non-BGP Competitions                            | (1)            | (18)           |
| Collaborative Doctoral Awards                   | 4,594          | 4,951          |
| International Mobility                          | 190            | 186            |
| Industrial Strategy Challenge Fund (ISCF)       | 870            | -              |
| Clore Leadership Programme                      | 41             | (41)           |
| <b>Total Expenditure on Postgraduate Awards</b> | <b>36,569</b>  | <b>35,305</b>  |

|                                       |                |                |
|---------------------------------------|----------------|----------------|
| <b>Total Research and Development</b> | <b>108,856</b> | <b>103,263</b> |
|---------------------------------------|----------------|----------------|

# NOTES TO THE ACCOUNTS

## 5. Purchase of Goods and Services

|  | 2017-18<br>£000 | 2016-17<br>£000 |
|--|-----------------|-----------------|
| Accommodation                                | 205             | 283             |
| Professional Services                        | 224             | 10              |
| IT Costs/Support Costs                       | 290             | 123             |
| Training and Other Staff Costs               | 227             | 176             |
| UK Travel & Subsistence                      | 390             | 341             |
| Overseas Travel & Subsistence                | 122             | 37              |
| Advertising and Publicity                    | 348             | 267             |
| External Audit Fees                          | 45              | 45              |
| Professional and International Subscriptions | 50              | 32              |
| Catering Services                            | 92              | 44              |
| Miscellaneous Other Costs                    | 94              | 75              |
| Internal Audit Costs                         | 73              | 63              |
| Outsourced Programme Management Services     | 43              | 89              |
| <b>Total Purchase of Goods and Services</b>  | <b>2,203</b>    | <b>1,585</b>    |

Note: 'Bank Charges' & 'Telecommunications' expenditure has been moved to 'Miscellaneous other costs'

## 6. Income

|  | 2017-18<br>£000 | 2016-17<br>£000 |
|--|-----------------|-----------------|
| Fee Income                               | (2)             | (132)           |
| Grants from Central Government           | (330)           | (1,209)         |
| Grants from Private Sector Companies     | (324)           | (366)           |
| Income from Other Government Departments | (5,787)         | (3,933)         |
| Miscellaneous Income                     | (29)            | (55)            |
| <b>Total Operating Income</b>            | <b>(6,472)</b>  | <b>(5,695)</b>  |

# NOTES TO THE ACCOUNTS

## 7. Trade Receivables, Financial and Other Assets

|                                | 31 March 2018 | 31 March 2017 |
|--------------------------------|---------------|---------------|
|                                | £000          | £000          |
| Trade Receivables              | 1,111         | 202           |
| Prepayments and Accrued Income | 3,681         | 11,110        |
| Other Receivables              | (18)          | 2             |
| <b>Total Receivables</b>       | <b>4,774</b>  | <b>11,314</b> |

## 8. Cash and Cash Equivalents

|   | 31 March 2018 | 31 March 2017 |
|---|---------------|---------------|
|   | £000          | £000          |
| Balance at 1 April 2017                 | 4,426         | 6,182         |
| Net Change in Cash and Cash Equivalents | 2,686         | (1,756)       |
| <b>Balance at 31 March 2018</b>         | <b>7,112</b>  | <b>4,426</b>  |

### The following balances at 31 March 2018 were held at:

|  |              |              |
|--|--------------|--------------|
| Government Banking Service (GBS)       | 7,112        | 4,426        |
| Commercial banks and cash in hand      | -            | -            |
| <b>Total Cash and Cash Equivalents</b> | <b>7,112</b> | <b>4,426</b> |

## 9. Trade Payables and Other Current Liabilities

|                              | 31 March 2018  | 31 March 2017  |
|------------------------------|----------------|----------------|
|                              | £000           | £000           |
| VAT                          | (13)           | (12)           |
| Trade Payables               | (922)          | (155)          |
| Other Payables               | (170)          | (114)          |
| Accruals and Deferred Income | (5,029)        | (7,526)        |
| <b>Total Payables</b>        | <b>(6,134)</b> | <b>(7,807)</b> |

# NOTES TO THE ACCOUNTS

| <b>10. Early Retirement Provision</b> | <b>31 March 2018</b> | <b>31 March 2017</b> |
|---------------------------------------|----------------------|----------------------|
|                                       | <b>£000</b>          | <b>£000</b>          |
| At April 2017                         | (131)                | (134)                |
| Payment/Utilisation of Provision      | 18                   | 18                   |
| Decrease/(Increase) in Provision      | (4)                  | (15)                 |
| <b>At March 2018</b>                  | <b>(117)</b>         | <b>(131)</b>         |

|   | <b>31 March 2018</b> | <b>31 March 2017</b> |
|---|----------------------|----------------------|
|   | <b>£000</b>          | <b>£000</b>          |
| Not later than one year                           | (17)                 | (17)                 |
| Later than one year and not later than five years | (100)                | (114)                |
| Later than five years                             | -                    | -                    |
| <b>Total Provisions</b>                           | <b>(117)</b>         | <b>(131)</b>         |

The AHRC relocated its offices from Bristol to Polaris House, Swindon, in June 2010 and as a result of internal restructuring an early retirement provision was recognised. This provision will be fully utilised by the 2019-20 year.

| <b>11. Other Financial Commitments</b>            | <b>31 March 2018</b> | <b>31 March 2017</b> |
|---|----------------------|----------------------|
|   | <b>£000</b>          | <b>£000</b>          |
| <b>Research Awards</b>                            |                      |                      |
| Not later than one year                           | 65,808               | 65,492               |
| Later than one year and not later than five years | 56,602               | 57,681               |
| Later than five years                             | -                    | 22                   |
| <b>At March 2018</b>                              | <b>122,410</b>       | <b>123,195</b>       |

|   |                |               |
|---|----------------|---------------|
| <b>Postgraduate Awards</b>                        |                |               |
| Not later than one year                           | 41,238         | 29,002        |
| Later than one year and not later than five years | 73,236         | 61,542        |
| Later than five years                             | -              | -             |
| <b>At March 2018</b>                              | <b>114,474</b> | <b>90,544</b> |

## 12. Related Party

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

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

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

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

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

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

**Table A**

| Individual                  | Institution                   | No. of Awards | Transactions during 2017-18 £000's | Total fund value of grants £000's |
|-----------------------------|-------------------------------|---------------|------------------------------------|-----------------------------------|
| Professor Andrew Thompson   | University of Exeter          | 2             | 56                                 | 1,538                             |
| Professor Jennifer Richards | Newcastle University          | 1             | 167                                | 750                               |
| Ms Rebecca Bailey           | Historic Environment Scotland | 1             | 208                                | 382                               |

**Table B**

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

# NOTES TO THE ACCOUNTS

**Table C**

| <b>Individual</b>            | <b>Institution</b>       | <b>Aggregate Amount<br/>£000</b> |
|------------------------------|--------------------------|----------------------------------|
| Professor Andrew Thompson    | University of Exeter     | 1,439                            |
| Professor Sir David Eastwood | University of Birmingham | 2,116                            |
| Miss Deborah Bull            | Kings College London     | 2,006                            |
| Professor Tom Inns           | Glasgow School of Art    | 208                              |
| Dr Catherine Martin          | University of Edinburgh  | 1,263                            |
| Mr Robert Williams           | University of Oxford     | 1,673                            |
| Mr Robert Williams           | Cardiff University       | 578                              |
| Ms Lucy Winskell             | Northumbria University   | 409                              |

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

In accordance with the requirements of IAS 10 *Events after the Reporting Period*, events after the date of the Statement of Financial Position 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 and Report of the Comptroller and Auditor General.

As set out in Note 1 '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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