

Economic and Social Research Council
Annual Report and Accounts 2016-17



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Foreword

by Chair

In a year of significant change, the ESRC has focused on its priorities, worked closely with other research partners, and demonstrated how economic and social science research can illuminate and respond to the most important issues in society.

This year, ESRC-funded researchers showed how, at an individual level, their research is making a real difference to people's lives.

First, the Celebrating Impact Prize recognises and rewards researchers whose work has made a significant difference to society or the economy, be it through outstanding research, collaborative partnerships, engagement or knowledge exchange activities. In the 2016 Prize the work of the winners covered issues including police-public encounters, adolescent-to-parent violence, cycling policy and responses to the Ebola crisis. All the winners and finalists should be congratulated on having achieved significant impact and making a real difference to so many lives in the UK and beyond.

Second, the Making Sense of Society writing competition celebrates and fosters the writing skills of the next generation of social scientists. This year students were asked to write 800 words about why their research matters and how it helps us make sense of and understand the society in which we live. There were nearly 300 entries which demonstrated the breadth and depth of social science research taking place across the UK. Topics ranged from Big Data to climate change, class, immigration, dementia, the economy and education. The quality of writing and content were outstanding.

This was a tumultuous year for world events. In June, the result of the referendum on the UK's membership of the European Union precipitated a series of changes to UK politics. Before, during and after the referendum, ESRC-funded academics – particularly those affiliated to the UK in a Changing Europe initiative – offered considered and impartial comment on events. And also explanations of how the Brexit process might work from political and legal standpoints.

Naturally this work continues and will become more important as the economic and social implications of Brexit become apparent over the coming years.



Looking to the UK research funding landscape, the major changes recommended by the Nurse review in 2015 have begun to be implemented. The ESRC, working with the other research councils, Research Councils UK and Innovate UK, has been enthusiastic and quick to work ever more closely with its research partners across a range of issues and at all levels, to position the organisation for the start of UK Research and Innovation (UKRI) later in 2018. This has meant that many staff across the ESRC have worked on cross-council groups to prepare a new organisational structure and way of working – mostly in addition to regular duties. My thanks go to them for their support.

I would like to thank retiring Council members Martin Coleman, Professor Tara Fenwick, Professor David Martin and Professor Linda Woodhead for their support and service during their time on the ESRC Council, and welcome new members Professor Jane Falkingham, Professor Nigel Gilbert, Professor Melinda Mills, and Susan Penwarden.

Finally, I would like to take this opportunity to thank ESRC staff, Directors, Council and committee members for making this a successful year and also particularly Professor Jane Elliott, Chief Executive, for her contribution to the ESRC. At the time of writing, Professor Elliott has accepted the position of Professor of Sociology at the University of Exeter, starting in September. Also, my thanks go to Phil Sooben, ESRC Director for Policy and Resources, and Deputy Chief Executive, who in June left the ESRC after 28 years to become the Chief Executive of the Political Studies Association. We wish them both the best for the future.

Dr Alan R Gillespie
Chair, ESRC

Statement by Chief Executive

The ESRC funds excellent research that provides evidence on issues affecting all our lives. This year of massive political and social change has underlined the need for social science to provide practical insights, and the speed of events has meant we have had to respond quickly to challenges, working even more closely with our partners and stakeholders.



First, in an environment of continuing financial austerity, the Government has rightly prioritised investment in research and innovation to build a strong economy that works for all. There is a continued drive to ensure the UK is open for business globally, and takes responsibility for supporting the development of those in the poorest regions of the world. This has created new opportunities for interdisciplinary research in the form of the Global Challenges Research Fund (GCRF) and the Industrial Strategy Challenge Fund (ISCF).

I am delighted by the speed and quality of responses from ESRC staff and researchers to the GCRF. The fund is designed to help us address challenges faced by developing countries through disciplinary and interdisciplinary research. It also allows us to strengthen capability for research and provide an agile response to emergencies.

The ESRC has been, and continues to be integral to shaping what the GCRF will deliver. I am proud to have been RCUK champion for the GCRF in 2016 and to have led on setting up the strategic advisory group for the fund. During 2016, along with four other UK Research Councils – the Arts and Humanities Research Council (AHRC), Biotechnology and Biological Sciences Research Council (BBSRC), Medical Research Council (MRC), and Natural Environment Research Council (NERC) – we announced the first GCRF joint-council interdisciplinary calls. Worth over £40 million, the new programmes of research are in forced displacement, non-communicable diseases, global infection and agriculture and food systems.

In spring 2017 we also announced the results of the cross-council GCRF Growing Research Capability Grants call. The call is the first major investment of the GCRF RCUK Collective Fund and will invest around £200 million. 60

proposals were reviewed resulting in 37 successful projects, the majority of which are multi-council projects. I'm delighted by the quality of interdisciplinary proposals submitted – of which around a third are led by social scientists.

The Mediterranean Migration Research Programme (MMRP), co-funded by the Department for International Development with £1 million of ESRC investment, supported leading UK social scientists in conducting research with migrant and refugee populations who have entered Europe across the Mediterranean. The projects reported findings throughout 2016, influencing government and agency responses to the crisis, and in September 2016 representatives from the MMRP presented at the UN General Assembly addressing large movements of refugees and migrants. Politicians speaking at the two-day event included UK Prime Minister Theresa May and US President Barack Obama.

I have also been delighted by the response to our urgent call for research proposals that examine how the Brexit process will unfold. The new projects are intended to provide material of direct relevance to negotiations over the next 18 months. They allow us to build on the high-profile and highly influential work carried out by the UK in a Changing Europe initiative team, before and after the referendum on the UK's membership of the European Union.

A total of 25 projects have been supported under the Brexit Urgency Grants. The projects cover a wide range of subjects including the effects of Brexit on Ireland, trade policy, agriculture, fisheries, education and the UK political system, to name but a few.

Finally, the Industrial Strategy Challenge Fund, announced at the end of 2016, is focusing collaboration between Research

Statement by Chief Executive

Councils and Innovate UK on key areas where excellent UK research and industrial capability can work together to make the UK a world leader. The creation of the Innovation Caucus in 2015, a collaborative venture between ESRC and Innovate UK, is directly relevant to this important strand of work.

The Innovation Caucus was established to facilitate knowledge exchange and promote closer collaboration between social science researchers and Innovate UK. During 2016, the Innovation Caucus explored different policy options and made recommendations about 'what works' in supporting innovation-led growth, with the aim of maximising the practical impact of social science research. The Caucus has also undertaken a series of projects including the development of a business model innovation toolkit to help businesses to innovate and the creation of a new tool designed to help businesses engage and forge links with universities.

As well as investing in and responding to new challenges we also continue to prioritise support and training for the next generation of social scientists. In 2016 we commissioned a national network of 14 institutional and Consortia Level Doctoral Training Partnerships (DTPs) to take over from our existing network of Doctoral Training Centres. DTPs provide a flexible range of studentship options which include opportunities to undertake study in collaboration with the public, private and civil society sectors.

As Chief Executive I would like to say a special thank you to ESRC staff and Council and committee members and to members of Council for their invaluable strategic advisory role on how we should balance our portfolio of investment and activity. I would also like to thank our research community for the speed with which they responded to our requests for proposals. This year has produced a strong and diverse range of projects that is testament to the response of the community and the support of their institutions to bring multi-disciplinary teams together.

The GCRF and ISCF illustrate the changing nature of research opportunities as the UK Research Councils, Innovate UK and the Higher Education Funding Council for England (HEFCE) move towards the start of UK Research and Innovation (UKRI). But they also show the need for the ESRC and the social science we fund to continue to have a strong voice and presence.

These are just some of the key highlights of our 2016-17 activities. There is much more detail on our full portfolio of research, training and resources on the following pages, showcasing the breadth of ESRC investments and their impact on the UK and internationally.

Professor Jane Elliott
Chief Executive, ESRC

Overview

Brief History and Statutory Background

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

Nature of the Organisation

The ESRC spends approximately £195m on research and training yearly, supports over 4,000 researchers and students at any one time, and has around 132 staff. The ESRC also works collaboratively with the six other UK Research Councils, RCUK and Innovate UK to fund cross-disciplinary research and innovation addressing major societal challenges. ESRC funded research informs policymakers and practitioners and helps make businesses, voluntary bodies and other organisations more effective. We are an international leader in the social sciences fostering collaboration with a wide range of international partners.

Our Core Values

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

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

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

Supporting Excellence

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

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

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

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

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

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

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

Future Priorities

ESRC has taken forward a number of priorities over the past year, investing in areas of national priority, and mobilising social science evidence to address significant social and economic challenges. In particular a number of new investments, networks and scoping studies have been commissioned in the areas of mental health, productivity, understanding the macro-economy and ways of being in a digital age. Given the significance of the referendum outcome in June 2016, the ESRC has also continued to prioritise research and investment through its UK in a Changing Europe Programme, including through a series of Brexit Priority Grants. Investment in these priorities will continue over the coming years, but the ESRC has also begun the process of scoping out major new interdisciplinary challenges that could then be taken forward as future priorities. These include issues around climate change, artificial intelligence and automation, innovation in health and social care systems, and the future of liberal democracy.

Principal Risks and Uncertainties

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

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

The principal operational risks for ESRC are the challenges posed by the current change agenda and the uncertain wider environment (for more detail refer to the Governance Statement page 30), while the principal strategic risks are those involving ESRC's need to provide an appropriately robust evidence base of the value of current activities and the sustained impact of previously funded work and the need to enable researchers to deliver their full potential for excellent research and wide benefits to society and, the economy

Performance Analysis

The ESRC's performance is measured against objectives across a large number of areas, helping the council to provide funding across the range of disciplines within the social sciences to academics carrying out excellent research at every stage of their careers. Our Delivery Plan ensures that ESRC funding supports an outstanding portfolio of activities to achieve our objectives of delivering scientific excellence whilst promoting growth, maximising efficiency and increasing value for investment in research. We do this through leveraging co-funding from partnerships with a range of organisations, with a particular focus on continuing to expand our portfolio of work with the private sector.

Our annual review of developments under each of our Delivery Plan objectives shows that we have made excellent progress in addressing many of the key themes. This is presented in the table below.

Delivery Plan Objective: Fostering Research and Innovation	
Main Activities/Achievements	Update/Impact
1. We will protect funding for our responsive mode Standard Grants scheme, ensuring we continue to be able to support the highest quality curiosity-driven social science.	We have maintained the level of investment in our standard grants scheme which has enabled us to fund over 50 new projects of the very highest quality from across the social sciences.
2. We will continue to fund ambitious, impactful and cutting-edge social science across all funding modes, including our Transformative Research scheme, which supports research designed to be at the frontier of innovation.	We continue to fund highly innovative research. For example, this year we conducted an independent evaluation of our Transformative Research Scheme, which concluded that it has successfully generated a wide range of ground-breaking and novel research projects and ideas. The review also pointed to the strength of our Standard Grants scheme in promoting pioneering and highly impactful research. We intend to invest in a further round of the Transformative Research scheme, alongside standard grants.
3. We will deliver high-quality, independent evidence in challenging and topical areas of public debate.	Since the referendum on EU membership in June 2016, the ESRC's UK in a Changing Europe initiative has focused on the interpretation and implementation of the UK exiting the EU. The initiative's website has attracted over 50,000 users per month. We have recently expanded the programme by supporting 25 policy-related Brexit Priority Grants that focus on the Article 50 process.
4. We will invest in areas of national priority, mobilising social science evidence to address significant social and economic challenges.	<p>a) Understanding the Macro-Economy</p> <p>A grant of £4.6m to establish the 'Rethinking Macroeconomics Network Plus' has been awarded to the National Institute for Economic and Social Research under the direction of Dr Angus Armstrong. This network aims to start the transformation of macroeconomics back into being a useful and policy-relevant social science through asking fundamental questions about macroeconomics in the 'real world' and encouraging rigorous, innovative and inter-disciplinary research to catalyse this transformation. The network intends to cultivate a policy-relevant dialogue and research agenda by bringing together a diverse group of leading scholars from relevant disciplines with senior policymakers, representatives from civil society and business organisations. The 25 co-investigators include leading academics from different branches of economics, psychology, anthropology, sociology, neuroscience, economic history, political science, biology and physics.</p>

Main Activities/Achievements**Update/Impact****b) Productivity**

An additional cohort of the Skills and Employment Survey has been commissioned and will be in the field during 2017. Discussions are continuing with partners to explore the potential of commissioning a further wave of the Workplace Employment Relations Survey (WERS7). A call was launched in March 2017 for a Network Plus to synthesise existing evidence about the UK's poor productivity growth and to develop new research and policy approaches to bring new insight to the issue.

c) Mental Health and Wellbeing

We have appointed Professor Louise Arseneault as our Leadership Fellow for Mental Health. Professor Arseneault will lead a three-year programme of activities to include building a community around the ESRC's work in mental health, synthesis of existing evidence, working with policy and working with our longitudinal studies to consider their measures of mental health. She will also lead a 'beacon' research project on the long-term impacts of childhood bullying. We have run a call with the National Society for the Prevention of Cruelty to Children (NSPCC) – the first collaboration between the two organisations – which has funded four projects looking at the impacts of childhood abuse and neglect on mental health. We are leading work with the AHRC, BBSRC, EPSRC and MRC to develop an interdisciplinary research agenda in mental health which will be published on our website. We will use this as a basis to scope a call (or calls) in 2017. We have also been scoping a research agenda in global mental health which we hope will be able to utilise GCRF and Newton funds. We are working with a number of other funders, led by the MRC, to establish the new UK Prevention Research Partnership which, as part of its scope, will address the prevention of mental health conditions.

d) Housing

In partnership with Joseph Rowntree Foundation and AHRC, the ESRC commissioned a £6m UK Collaborative Centre for Housing Evidence. The Centre will advance knowledge of the housing market, provide robust evidence to inform housing policy and practice across the UK, and will join together a comprehensive range of stakeholders with the goal of tackling a range of housing problems.

e) Ways of Being in a Digital Age

We have commissioned a comprehensive scoping exercise, commenced in August 2016 and undertaken by an interdisciplinary and multi-institutional research team, to help identify the gaps where ESRC could best add value and focus our activities under this theme, including collaborative activities with other funders. The review focuses on seven different yet complementary domains: citizenship and politics, communities and identities, communication and relationships, health and wellbeing, economy and sustainability, data and representation and governance and security. The findings from the review will be used to help shape potential activity relevant to this priority area.

Main Activities/Achievements	Update/Impact
<p>5. We will deliver a significant contribution to international development goals through our support for international development research and related activities.</p>	<p>We have maintained our commitment to supporting research that addresses international development challenges, via the continuation of ESRC-led programmes co-funded with the Department for International Development (in the areas of Growth, Poverty Alleviation and Raising Learning Outcomes), the Newton Fund and through newly-commissioned activities as part of the Global Challenges Research Fund (GCRF). ESRC has invested in a range of GCRF initiatives to address global challenges. We have built UK social science capacity to address development issues through committing £2.8 million of funding for 30 post-doctoral fellows and £2.8 million in a family of 22 new strategic networks that bring together researchers and stakeholders from across the globe. We have committed £1.1 million to the creation of new value from existing datasets through a dedicated GCRF Secondary Data Analysis Initiative call. We have supported the development of overseas research capacity by actively encouraging the inclusion of researchers from the Global South, as co-investigators and as field researchers. Additionally, we have committed £8.1 million to create longer-term capacity through two new centres in the complementary areas of conflict and forced migration.</p> <p>In 2016, we provided £0.9 million of dedicated and flexible funding for knowledge exchange through the provision of GCRF funding to research organisations holding ESRC Impact Acceleration Accounts (IAAs), specifically to support and promote a variety of impacts from existing research with a development focus. ESRC IAAs have completed 119 Global Challenges Research Fund projects, targeting 71 Official Development Assistance (ODA)-eligible countries, and leveraging nearly £0.3 million from partners. We are also promoting inter-disciplinary, challenge-led research through committing around £12 million of contributions to calls with, or led by, other Research Councils, including with AHRC on the ESRC-led forced displacement and AHRC-led conflict calls; with both BBSRC and MRC on anti-microbial resistance calls; to a NERC-led call on resilience; to MRC-led calls on non-communicable diseases and on infectious diseases; and to a BBSRC-led call on agri-food systems.</p>

Delivery Plan Objective: Creating and Maximising Data Infrastructure for Research

Main Activities/Achievements	Update/Impact
6. We will continue to take a strategic lead in expanding the UK's world-class infrastructure for research, focused on large-scale sources of data including longitudinal, international, cross-sectional, administrative, and private sector data.	The ESRC Longitudinal Studies Review 2017 was launched in October 2016 with an international panel looking ahead at the future scientific need for longitudinal studies in a changing funding and data context. This builds on the Life Study Lessons Learned action plan. Mid-term reviews of the Administrative Data Research Network, the Business and Local Government Data Research Centres (the first two phases of the Big Data network) and the Cohorts and Longitudinal Studies Enhancement Resource (CLOSER) were successfully introduced. ESRC has built on the success of Understanding Society's Innovation Panel by funding a new Health Innovation Panel which will enable other longitudinal studies to test health-related methods in a subset of Understanding Society before they are rolled out in other studies. ESRC has innovated with standard data management processes to launch a timely competition for early access to Understanding Society's Brexit data to help understand why Britain voted to leave the EU. ESRC has also continued its commitment to the European Social Survey and the Consortium of European Social Science Data Archives.
7. We will explore the potential of new forms of data (both quantitative and qualitative) and innovations in data collection, linkage and use, providing the necessary infrastructure to support bold and innovative social science.	The Secondary Data Analysis Initiative (SDAI) was set up to support high-quality research that has an impact on policy and practice, focusing on the use of existing data resources created by ESRC and other agencies. ESRC has continued to invest in SDAI through the open call and this year has also partnered with the Department for Education, funding projects that draw upon datasets to produce insight into policy areas that are relevant to the Department, as well as investment in the use of secondary data resources to produce high-quality, impactful research on developing countries through the Global Challenges Research Fund. ESRC has also invested in projects to encourage the use of new and emerging forms of data to inform policy, which are delivered through partnerships between academics and policymakers. ESRC is also in the process of recommissioning the UK Data Service (UKDS) which is the national resource for data collection, ingest, preservation, access, user support and training. UKDS had 22,000 registered users and 863,194 user sessions in the last year.

Delivery Plan Objective: Building Capability

Main Activities/Achievements	Update/Impact
<p>8. We will launch our new Doctoral Training Network, including thematic Centres for Doctoral Training, to support the development of highly capable and innovative researchers for a wide range of careers.</p>	<p>In July 2016 we commissioned 14 new Doctoral Training Partnerships which include 73 institutions across the UK. The DTPs will provide the highest quality doctoral training across the full breadth of the social sciences for over 500 new postgraduate researchers a year and represents an investment of approximately £243 million by the ESRC over the next six years. We also funded two targeted Centres for Doctoral Training that will build capacity in Biosocial Research and New Forms of Data. Each CDT will support 10 students per annum for three years at a total cost of £2.1m. The former is 50% co-funded with BBSRC and the latter receives 20% of its funding is from non-academic partners.</p>
<p>9. We will develop new opportunities to support early career researchers allowing us to develop a strong cadre of leaders for the future.</p>	<p>Following a review of our support for early career researchers (ECRS's), Council agreed in July 2016 a new set of measures to enhance our support for ECRs. These include:</p> <ul style="list-style-type: none"> • A new Postdoctoral Fellowship Scheme which will be delivered through our Doctoral Training Partnerships. This is currently being developed and will be launched later in 2017. • A New Investigator strand of our Research Grants Scheme aimed specifically at supporting those looking to make the transition to being an independent researcher through managing their first major research project. This was launched in August 2016. • Encouraging the participation of ECRs within other ESRC funding schemes. • Developing a statement of expectation for our postdoctoral researchers on grants should be supported. We have now gained agreement that all the Research Councils will work together to develop a joint statement.
<p>10. We will enable postgraduate students and early career researchers, to forge links and create networks internationally.</p>	<p>In October 2016 we funded 30 Postdoctoral Fellowships as part of the Global Challenge Research Fund, a key part of which is developing their international networks (both academic and non-academic). Through our DTCs we have also provided funding for our students to participate in overseas institutional visits to develop their research skills and international networks.</p>

Delivery Plan Objective: Facilitating Partnerships and Realising Impact

Main Activities/Achievements

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

Update/Impact

Our Impact Acceleration Accounts (IAAs) have supported 453 collaborative projects with a range of non-academic partners. They have also supported 140 external and 48 inward secondments between universities and the non-academic sector and 50 continuing professional development programmes were created with IAA support. Our IAA funding has also enabled 100 co-produced projects and delivered 352 strategic events. Over the last year IAAs reported three licensing agreements and eight Proof of Concept projects.

Overall, our IAAs have enabled social science researchers to leverage cash/in-kind support with government departments, businesses and civil society:

- 85 IAA projects with total project costs of £1.6m leveraged £0.6m in additional support from local, regional and national government departments
- 159 IAA projects with total project costs of £2.9m leveraged £1.6m in additional support from third sector partners
- 67 IAA projects with total project costs of £3.4m leveraged £2.5m in additional support from business partners, specifically two projects leveraged £1.7m in additional support
- 17 different policy influences were reported.

We also established a new partnership between our IAAs and the Parliamentary Office of Science and Technology which led to the launch of the Parliamentary Academic Fellowship. The first Fellowship call closed in February 2017, and enabled many social science researchers to apply to work on specific projects in Parliament.

Social Science Section in Parliamentary Office of Science and Technology (POST)

The Social Science Section has contributed to over 100 peer-reviewed briefings for parliamentarians and provided expertise to 16 Select Committees across the Commons and the Lords – many of who have never engaged with POST before. The Section has also enabled Parliament to access methodological expertise for the first time – establishing a high level of demand for social science expertise. The Section has continued to embed social science in POST's wider agenda and is increasing engagement between academia and Parliament through increasing Fellowships and via the development of a dedicated web space.

Main Activities/Achievements	Update/Impact
<p>12. We will maintain and extend investment in the innovative 'What Works' network, providing robust evidence to guide decision-making on public spending.</p>	<p>What Works continues to be a flagship activity of ESRC and we have committed £2.5m in 2016-17 to this broad portfolio which reaches across the whole of the UK and focuses on a diverse range of policy areas.</p> <p>What Works is one of our principal strategic mechanisms for using robust, high-quality social science to improve outcomes for policymakers and practitioners and ultimately for citizens and the economy.</p> <p>During 2016-2017 a review of our involvement in What Works showed that we have played an important part in building the credibility and traction of this initiative amongst academics, local decision-makers and central Government. The review demonstrated that What Works is a long-term initiative requiring sustained commitment to bring about a change in culture ensuring that evidence is used more consistently to achieve better outcomes for the public. Based on this review the emphasis of our What Works investments for 2016-17 has been on supporting shared learning to continue to develop the effectiveness of the What Works approach and prioritising our current What Works Centres over developing new Centres – including recommissioning the Centre for Local Economic Growth.</p> <p>We have also initiated an external review of the What Works Centres to inform their ongoing development and shared learning, expected to be complete in autumn 2017.</p>

Main Activities/Achievements	Update/Impact
<p>13. We will continue to communicate with and engage the public to raise awareness of social science research, delivering on our Royal Charter objectives.</p>	<p>Showcasing ESRC's research and its impact, and disseminating knowledge are integral to the ESRC's mission. Our communication and engagement activities make our research more accessible to our stakeholders and the wider public, and highlight and generate impact to inform policy.</p> <p>We help the public understand our work and research through our publications, our annual Festival of Social Science, and biennial photographic competition, and by providing up-to-date and accessible information through our digital communications and press campaigns.</p> <p>Our regular magazine Society Now continues to reach over 17,000 readers. The ESRC website receives over 2.6 million page views per year; our videos have been watched almost 191,000 times, and Twitter feed now attracts over 46,500 followers and the ESRC blog had over 61,000 views.</p> <p>The 2016 ESRC Festival of Social Science featured 274 free events held in 51 UK towns and cities and remains popular attracting a total audience of over 29,500. During 2016-17 we also ran an active media campaign generating extensive national and international broadcast, print and online coverage. ESRC Scoop.it! – a social media platform for curating content – had over 69,000 views. More than 850 children from across the UK took part in the ESRC 2016-2017 photographic competition 'Focus on Society'. Now taking place every two years, the competition for 2017-18 will be launched in July 2017.</p>

Financial Highlights

A more detailed analysis of the financial highlights noted below can be found in the financial statements on pages 56-59.

Statement of Comprehensive Net Expenditure	2016-17 £000	Re-represented 2015-16 £000
Total Operating Income	(30,948)	(25,333)
Total Operating Expenditure	226,963	215,960
Net Expenditure	196,015	190,627
Other Comprehensive Net Expenditure		
Net Gain of Revaluation of Non-Current Assets	(36)	(1,233)
Total Comprehensive Net Expenditure	195,979	189,394

Statement of Financial Position	As at March 2017 £000	As at March 2016 £000
Total Non-Current Assets	3,134	3,188
Total Current Assets	15,203	15,000
Total Current Liabilities	(23,719)	(23,527)
Total Taxpayers' Equity	(5,382)	(5,339)

Statement of Cash Flows	2016-17 £000	2015-16 £000
Net Cash Outflow from Operating Activities	(196,139)	(190,115)
Net Cash Flows from Financing Activities	195,936	196,545
Net Increase/(Decrease) in Cash and Cash Equivalents in the period	(203)	6,430

2015-16 statements have been re-represented in line with HM Treasury's NDPB Green – Illustrative Accounts. This aligns the presentation of ESRC's accounts with BEIS and its other partner organisations, this reflects in the primary statements and the disclosure notes.

Performance Against Key Performance Indicators (KPIs) 2016-17

Over 20% of grants awarded by ESRC included non-academic partners in 2016-17. Authorised research grants leveraged over £4m from more than 250 different organisations. The total amount leveraged from all of the research grants active at the end of the 2016-17 financial period was just under £25m (this is a provisional estimate and excludes the Newton Fund). Just under 50% of all funded researchers on research grants (PIs and Co-Is who disclosed their gender) were female, and over 50% of PIs were female.

ESRC provides funding for studentships, with co-funding from both academic and non-academic partners resulting in over 800 new studentships being awarded in 2016-17. The amount of co-funding leveraged by our Doctoral Training Centres for studentships was approximately £8.5m which is an additional 15% on top of our own allocation. At any one time ESRC funds approximately 2,900 studentships in total. Over 50% of ESRC studentships with funding starting in 2016-17 went to female award holders.

Ensuring equality and diversity across the social science community is of key importance to the Council. In 2016-17 there were more than 1,900 female and 2,000 male applicants (principal and co-investigators), both were slightly increased since 2015-16.

Further information on the impact of ESRC activities can be found at <http://www.esrc.ac.uk/research/research-and-impact-evaluation/economic-impact-reports> these demonstrate the contribution of ESRC funded research to society and the economy.

Financial Performance

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

DEL Grant in Aid received from BEIS for 2016-17 showed a marginal (0.73%) increase overall, while the administration budget decreased by £214k. External funding rose by 22% from £25.3m in 2015-16 to £30.9m in the current year, showing ESRC's commitment to maintain a high level of research investment.

The accounts for the year ended 31 March 2017 recorded net expenditure of £196m compared with £190.6m for 2015-16. Funding has been provided from both the increase in DEL referred to above, and a higher income figure.

Research expenditure accounted for 95% of ESRC's total expenditure for the year, an improvement on the 2015-16 figure of 94%. The improvement in this figure is driven by both an increase in programme activity and a reduction in administrative costs, which have fallen by 9.6%.

Financial Position

ESRC's non-current assets consist of their share in the land and building premises in Swindon. An annual revaluation of these assets using indices supplied by UK SBS resulted in a £36k increase in their net book value at year end.

Cash, Trade Payable, and Trade Receivable balances have remained consistent with the balances held at 31 March 2016 which can be seen in the Statement of Financial Position. The organisation's assets continue to be aligned with their liabilities.

Allocation Analysis 2016-17

Section 1	Total £000
Allocation	194,644
Total Expenditure	194,633
In Year Under/Overspend	(11)

Section 2	Total £000
BEIS Allocation	
Administration	2,826
Programmes	154,528
Capital	37,290
Total Allocation	194,644
DEL Expenditure	
Administration	2,816
Programme	154,527
Capital	37,290
Total DEL Expenditure	194,633
Notional Charges	1,292
Depreciation	90
Net Gain/Loss on Revaluation	(36)
Total Comprehensive Expenditure in Statutory Accounts	195,979

The table is divided into 2 sections, section 1 illustrates the total distribution of expenditure against allocation. Total underspend (the excess of allocation over expenditure) for the period totals £2k Section 2 analyses the allocation and corresponding expenditure in terms of high-level budget reporting classes, and illustrates the spending areas where under or overspends have occurred. The total spend figure corresponds to the Statement of Comprehensive Net Expenditure. There are no significant deviations from allocation for the year.

Long-Term Expenditure Trends

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

ESRC Allocation Table

	2011-12	2012-13	2013-14	2014-15	2015-16	2016-17
	£'000	£'000	£'000	£'000	£'000	£'000
Programme Resource	154,186	159,095	152,263	158,782	153,189	154,348
Administration Resource	5,903	5,441	3,457	3,296	3,040	2,826
Sub Total Resource	160,089	164,536	155,720	162,078	156,229	157,174
Programme Non-Cash	180	180	180	180	180	180
Sub Total Non-Cash	180	180	180	180	180	180
Total Resource DEL	160,269	164,716	155,900	162,258	156,409	157,354
Capital Allocation	25,731	24,284	55,100	44,700	37,000	37,290
Total Capital DEL	25,731	24,284	55,100	44,700	37,000	37,290
Total ESRC Del	186,000	189,000	211,000	206,958	193,409	194,644

Income

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

In response to the European System of Accounts 2010 changes, from 2016-17 onwards virtually all of the Council's Grant in Aid budget is allocated under Capital DEL as opposed to Resource DEL.

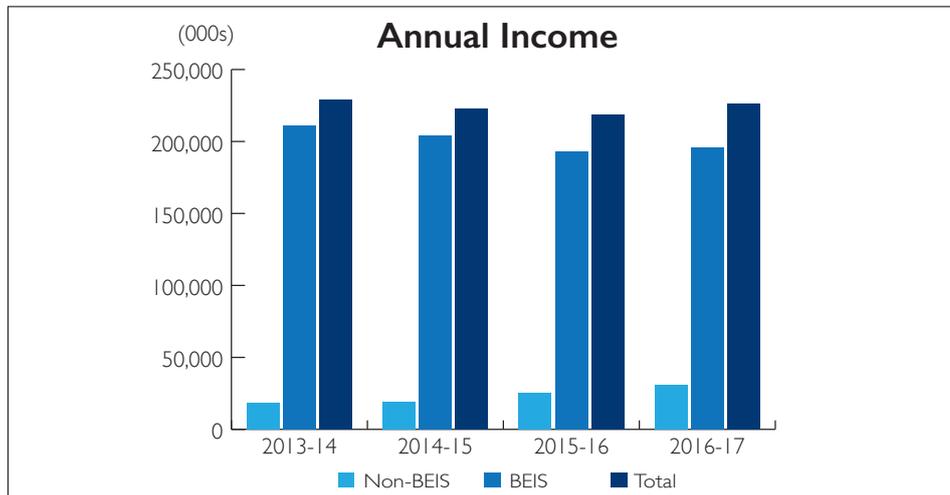
Allocation letters covering the period 2017-18 have now been received. Total DEL has been provisionally notified as follows.

	£000
Programme	200,962
Administration	2,722
Total DEL	203,684

The administration budget has been reduced by £104k, in response to an increase in cross-council costs associated with the creation of UKRI.

The programme budget shows an increase of £9.3m. This is partially due to the way that the Newton Fund will be funded in 2017-18. In 2016-17 Newton spend was invoiced from BEIS and therefore classified as income, for 2017-18 Newton spend (£6.9m) will form part of the DEL allocation. An increase in the dedicated allocation to the GCRF (Global Challenge Research Fund) programme accounts for the remainder of the overall programme budget increase.

Income



Non BEIS Income for the period totals £30.9m an increase of £5.6m on the prior period. As explained previously this is largely due to the Newton programme invoices, which are not expected to continue in 2017-18, meaning that for this period income will return to 2015-16 levels.

Expenditure

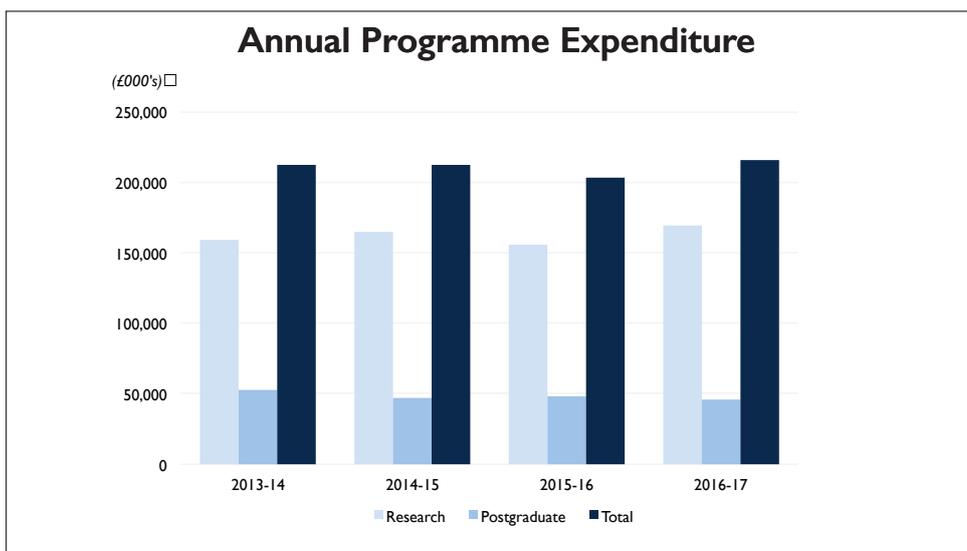
Expenditure falls into three main categories.

Administration - The cost of supporting ESRC as an organisation. These mainly include corporate services and estate costs.

Programme delivery - The cost of supporting ESRC grant giving, includes staff costs and recharges for cross-council activities.

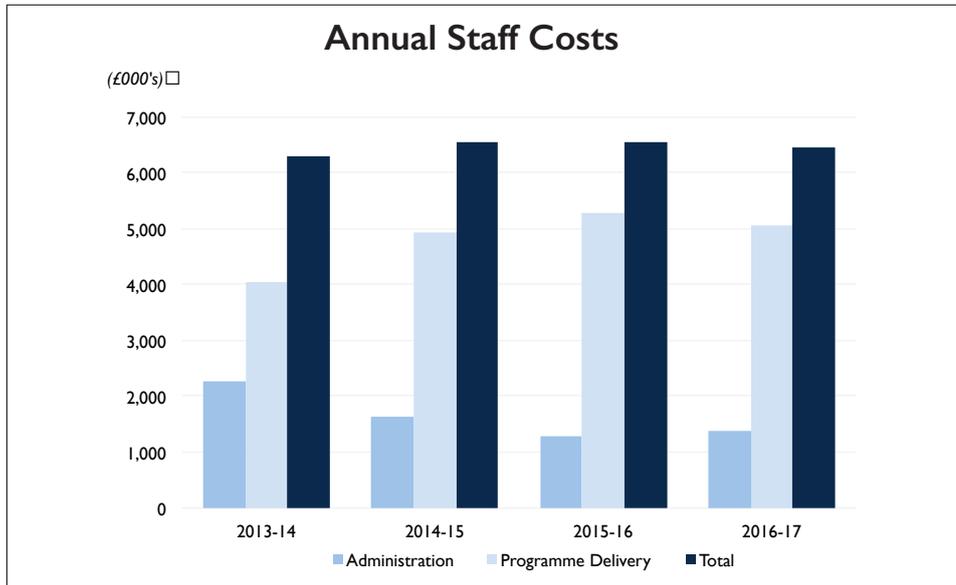
Programme - Funding granted directly to Research Organisations.

Programme Expenditure

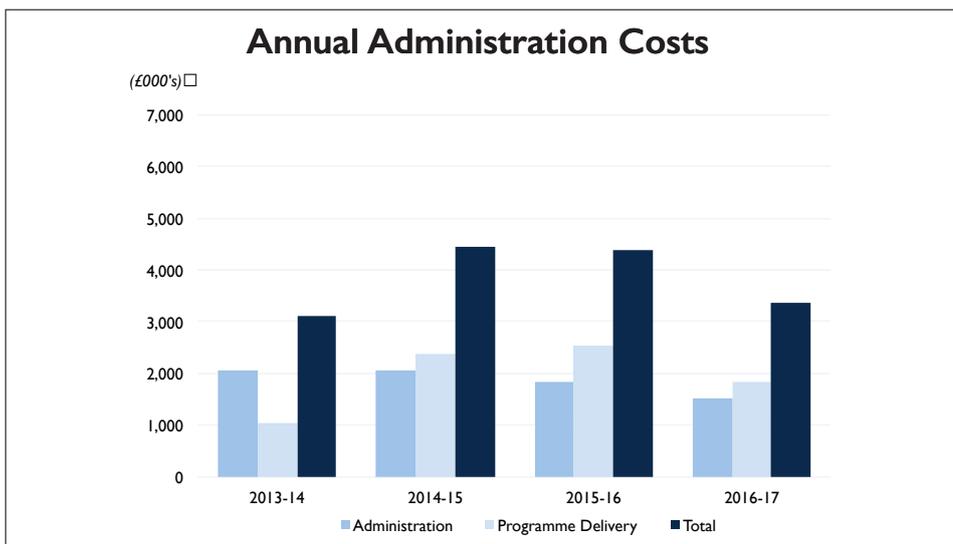


Research expenditure totals £215.8m for the period, a £12.1m increase on the prior period. This is largely as a result of the developing Newton and GCRF research programmes which jointly accounted for £7.9m of the total increase. New GCRF postgraduate awards totalled a further £1.7m. The GCRF DEL allocation is specific and has increased by £5m in 2017-18 so spending in this area is expected to increase. Allocation for non GCRF / Newton spend is similar to the prior period and therefore spend in this area should be approximately the same as the prior period.

Staff and Administration Costs



Staff costs are slightly (£104k) below 2015-16 levels despite an effective increase in employers National Insurance contributions. During 2016-17 the ESRC executive reviewed the organisations staffing levels and concluded that although the council could continue to benefit from the reduced costs associated with the diminished headcount at that point, operational efficiency would eventually be compromised. As a consequence of this decision programme delivery staff costs are expected to rise in 2017-18.



Non-staff administrative expenditure includes charges from other Councils in respect of jointly funded facilities such as RCUK and the PSU. Other specific areas which are individually monitored include consultancy and marketing spend. Administrative expenditure showed a significant reduction from the prior period (£935k). This is as a result of the ongoing cost reduction programme, which became fully effective in 2016-17, and a number of significant items of expenditure in 2015-16 that were not repeated in the following period. Expenditure in this area is expected to increase in 2017-18 but will remain within budgetary limits.

Creditor Payment policy

ESRC observes HM Treasury Guidance and makes every effort to pay creditors within five days of receipt of invoice. Where this is not possible, ESRC follow the CBI's Prompt Payers' Guide, and adheres to the Principles of the Prompt Payers' Code, endeavouring to ensure compliance with the agreed terms of payment of creditors' invoices and to pay them within 30 days of receipt of goods and services. During 2016-17 an average of 85.8% of payments were made within five days (2015-16 89.1%).

Efficiency

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

For further details on the RCUK Efficiency Programme, please refer to the Governance Statement on page 34.

UK Shared Business Services (UK SBS)

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

Environmental Policy

The Natural Environment Research Council (NERC) has developed a cross-council environment policy which is supported by ESRC, who continue to work with other Research Councils and tenants of Polaris House, Swindon in ensuring the building's impact on the environment is as limited as possible. Currently 71% of waste is recycled – paper, metal, plastic, wood, food waste, old PCs and printers, mobile phones, toner cartridges, batteries and spectacles are all routinely recycled. An environmental plan for the site contains a number of objectives including ongoing waste reduction, introducing solar electricity and water heating, promoting and encouraging a site culture of recycle, reduce and reuse and enhancing the natural environment on site through introducing flora and fauna.

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

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



Professor Jane Elliott
Accounting Officer
21 June 2017

Accountability Report

Corporate Governance Report

Directors' Report

Council and Management Board

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

Dr Alan Gillespie CBE

Chair; ESRC, 2009-2017

Professor Alan Winters

Professor of Economics, University of Sussex, 2015-2019

Professor David Martin

Professor of Geography, University of Southampton (left November 2016), 2010-2016

Professor Glynis Breakwell

Vice Chancellor, University of Bath, 2011-2017

Dr James Richardson

Chief Economist, National Infrastructure Commission 2013-2017

Professor Jane Falkingham

Professor of Demography and International Social Policy, University of Southampton, (joined March 2017), 2017-2018

Professor Jane Elliott

Chief Executive, ESRC, 2014-

Professor Judith Squires

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

Ms Karin Woodley

Chief Executive, Cambridge House, 2015-2019

Professor Linda Woodhead

Professor of Sociology, Lancaster University, (left July 2016) 2013-2016

Mr Mark Robson

Head of Statistics and Regulatory Data, Bank of England. 2015-2019

Mr Martin Coleman

Head of Competition Law Group, Norton Ross LLP (left November 2016), 2010-2016

Mr Martin Rosenbaum

Executive producer, BBC, 2012-2018

Professor Melinda Mills

Head of the Department of Sociology, University of Oxford, (joined March 2017), 2017-2018

Professor Nigel Gilbert

Professor of Sociology, University of Surrey, (joined March 2017), 2017-2018

Professor Simon Collinson

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

Ms Susan Penwarden

Director, General Insurance, Aviva France, (joined March 2017), 2017-2018

Professor Tara Fenwick

University of Stirling, (left July 2016), 2013-2016

Council members' remuneration is listed in the Remuneration Report (page 43) along with their remuneration for 2016-17

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

Chief Executive – Jane Elliott

Director, Policy and Resources, and Deputy Chief Executive – Phil Sooben

Director, Research and International – Tony McEnery

Deputy Director, Business Improvement and Organisational Change (and acting Deputy Director, Capability and Infrastructure) – Fiona Armstrong

Directory Director, Research and International – Jeremy Neathey

Members of Committees 2016-17

Research Committee

Professor Andrew Steptoe, University College London
Professor Anna Vignoles, University of Cambridge
Professor Dan Wincott, Cardiff University
Professor Diana Mitlin, University of Manchester, (Vice Chair)
Professor Gill Valentine, University of Sheffield
Professor Jagjit Chadha, National Institute of Economic and Social Research
Professor Katherine Homewood, University College London
Professor Kathy Rastle, Royal Holloway, University of London
Professor L Alan Winters, University of Sussex, (Chair)
Ms Lisa Harker, The Art Room
Mr Mike Emmerich, Metro Dynamics
Professor Paul Nightingale, University of Sussex
Professor Richard Breen, University of Oxford
Professor Sarah Vickerstaff, University of Kent
Professor Simon Collinson, Birmingham Business School
Mr Dan Corry, New Philanthropy Capital (NPC), (left August 2016)
Mr Jeremy Neathey, ESRC (Secretary)
Mr Martin Cooke, Angle PLC (left August 2016)
Professor Claire Wallace, University of Aberdeen, (left August 2016)
Professor Hilary Graham, University of York, (left August 2016)

Capability Committee

Mr Abdool Kara, Swale Borough Council, (Chair – joined August 2016)
Dr Andrea Hollomotz, University of Leeds
Professor Andrew Henley, Aberystwyth University (Vice Chair)
Ms Carole Willis, National Foundation for Educational Research (NFER)

Professor Gordon Harold, University of Sussex
Professor Irene Hardill, Northumbria University
Professor John Goodwin, University of Leicester
Professor Judith Squires, University of Bristol
Professor Matthew Flinders, University of Sheffield
Professor Nyovani Madise, University of Southampton
Professor Peter Hopkins, Newcastle University, (joined September 2016)
Professor Sayantan Ghosal, University of Glasgow
Mr Steve Legg, IBM
Professor Susan McVie, University of Edinburgh
Professor Svenja Adolphs, University of Nottingham
Mr Steven Marwick, Evaluation Support Scotland, (left August 2016)
Professor Chris Taylor, Cardiff University (left August 2016)
Professor Malcolm Williams, Cardiff University, (left August 2016)
Professor Edward Fieldhouse, University of Manchester, (left November 2016)
Dr Fiona Armstrong, ESRC, (Secretary)
Professor Tara Fenwick, University of Stirling, (Chair – left July 2016)

Audit Committee

Mr Phil Sooben, ESRC (Secretary)
Professor David Martin, University of Southampton (left November 2016)
Mr Martin Coleman, Norton Ross LLP, (left November 2016)
Professor Linda Woodhead, Lancaster University (left July 2016)
Mr John Headley, University of East London (Chair)
Ms Karin Woodley, Cambridge House
Dr James Richardson, National Infrastructure Commission
Ms Meryl Hayward, Historic England
Mr Mark Robson, Bank of England

Conflicts of Interest

The potential conflicts of interest for ESRC are fully disclosed in Note 15 to the accounts on page 71.

Personal Data Related Incidents

There were no protected personal data related incidents formally reported to the Information Commissioner's Office in 2016-17. The table below outlines seven Incidents that were not deemed to be significant.

Please note that ESRC data security policy and controls are disclosed in the Governance Statement on page 30-41.

Summary of other protected data related incidents in 2016-17.

Category	Nature of incident	Total
I	Loss of inadequately protected electronic equipment, devices or paper documents from secured Government premises	-
II	Loss of inadequately protected electronic equipment, devices or paper documents	2
III	Insecure disposal of inadequately protected electronic equipment, devices or paper documents from outside secured Government premises	-
IV	Unauthorised disclosure	-
V	Other	5

Freedom of Information

ESRC is subject to the Freedom of Information Act. During 2016-17 ESRC provided information in response to 27 requests (2015-16 33 requests).

Corporate Governance Report

Statement of Accounting Officers Responsibility

Under Section 2(2) of the Science and Technology Act 1965, the Secretary of State with the consent of HM Treasury has directed ESRC to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction.

The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of ESRC and its net expenditure, changes in taxpayers' equity, and cash flows for the financial year.

In preparing the Accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (https://www.gov.uk/government/uploads/system/uploads/attachment_data/file/577272/2016-17_Government_Financial_Reporting_Manual.pdf) and in particular to:

- observe the Accounts Direction issued by the Secretary of State including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis
- make judgments and estimates on a reasonable basis
- state whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed, and disclose and explain any material departures in the financial statements
- prepare the financial statements on a going concern basis, unless it is inappropriate to presume that the Council will continue to operate.

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

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

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

Corporate Governance Report

Governance Statement

Headline

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

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 ESRC's policies, aims and objectives. I also safeguard the public funds and ESRC assets for which I am responsible, ensuring they are properly accounted for and used economically, efficiently and effectively, in accordance with 'Managing Public Money' and the requirements set out in the Management Statement and Financial Memorandum agreed between ESRC and its sponsoring department, the Department for Business, Energy and Industrial Strategy (BEIS). I am supported in my role as Accounting Officer by a governance framework, which includes the Council, its Committees and Senior Management.

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

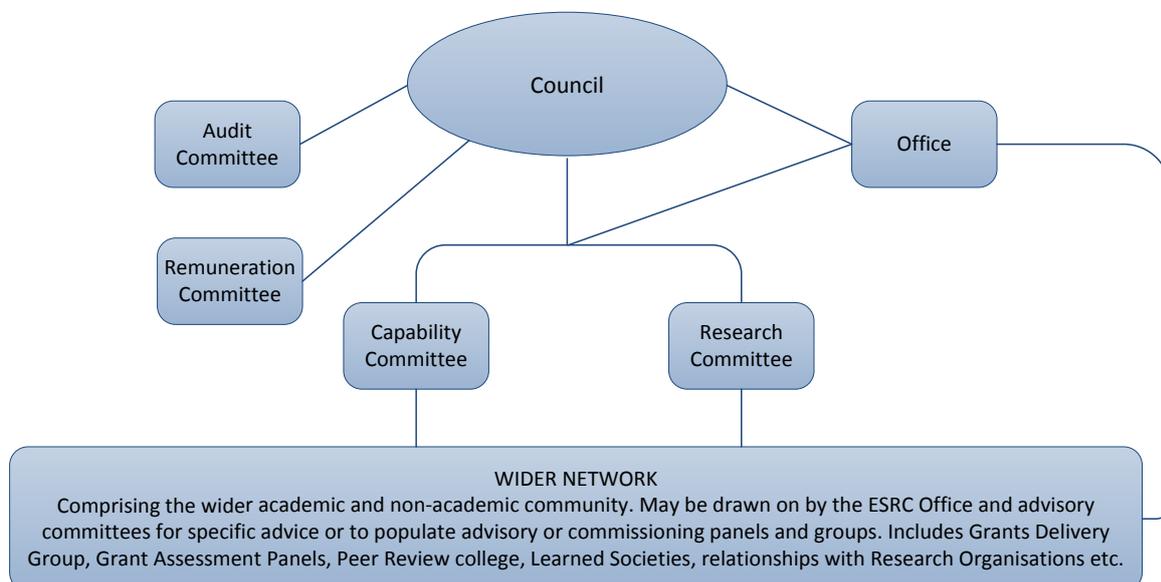
- all Council and committee meeting minutes;
- the work of internal audit, including work undertaken to evaluate funding assurance in UK universities;
- the assessment of my director as covered in his stewardship report.

Governance Framework

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

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

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



As the senior decision making body, Council meets four times a year to oversee the governance of the ESRC and help determine overall strategy and policy. Ensuring the agility and responsiveness of the ESRC and Council will be essential as we move forward under the new UKRI structure. In 2016-17 Council held a strategic workshop on the prospective role of the social sciences and interdisciplinarity under UKRI. Members of Council continue to play a proactive and decisive role in committee activity and sub committees. A flavour of some of the key items Council contributed to over the last year are listed below:

- **Administrative Data Research Network (ADRN).** Council received updates on, discussed the progress of, and the challenges faced by, the ADRN.
- **UKRI.** Council discussed the creation of and transition towards UK Research and Innovation, including support for interdisciplinary research and potential future priorities.
- **Brexit.** Council discussed the outcome of the EU Referendum and the implications and impact of it on the HE landscape and future ESRC funding. In addition Council helped to re-allocate and approve funds for the creation of new Brexit priority grants which will undertake research and impact activities on the implementation of Brexit.
- **Global Challenges Research Fund.** Council received updates and discussed the challenges created by the Fund.
- **Life Study Lessons Learnt.** Following closure of the project, Council have progressed a Lessons Learnt Action Plan to help inform the governance of future large scale infrastructure projects.
- **UK Data Service.** Following a thorough assessment process and subsequent review by the Capability Committee, Council agreed that it wished to continue to support the UKDS based at the University of Essex.
- **Transformative Grants Scheme.** Following a positive evaluation of the initial rounds, Council decided to continue to support the transformative grants scheme.
- **Portfolio Allocations.** Council discussed the ESRC's Strategic Plan commitments alongside new priorities and noted spending allocations.
- **Stakeholder Engagement.** Council discussed ESRC's approach to stakeholder engagement in relation to the ESRC Communications Plan.
- **Postgraduate Training.** Council received information on the commissioning of Doctoral Training Partnerships (DTPs) and Centres for Doctoral Training. This resulted in the agreement of allocations to 14 DTPs.

Council members are recruited through advertisement in the national press, with oversight provided by the Office of the Commissioner for Public Appointments, and final appointments are subject to Ministerial approval. Members of Council are listed on page 43. The February 2017 meeting of Council was not a formal Council meeting because delays in Council recruitment meant the membership had fallen below the minimum number set in the Royal Charter. A valid meeting was held shortly afterwards once new members had been appointed.

Council members undertook an annual review of their effectiveness in the period 2016-17 which was discussed at the April meeting of Council. There was consensus amongst members that Council had been effective in discharging its role and that the support provided by the Executive and the Secretariat continued to be viewed positively.

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

The Audit Committee provides assurance to Council and to me, as Accounting Officer, by reviewing the adequacy and effectiveness of ESRC's framework of governance, risk management and controls; reviewing the annual accounts, and accounting policies, on behalf of Council and overseeing the outcomes of work by the internal and external auditors. The Audit Committee also supports discussion at Council through updates and briefings from the Chair of Audit Committee, and from previous reviews and actions taken by Audit Committee.

As the Audit Committee undertook a self-assessment effectiveness review in September 2015 no review has taken place in 2016-17. The next review is due in 2017-18 and it's anticipated that as part of the transition to UKRI the review will focus on lessons learned from previous reviews and actions taken by Audit Committee.

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

Name	Attendance at Council	Attendance at Audit Committee (AC)
Professor Dame Glynis Breakwell	3 out of 4	
Mr Martin Coleman (<i>left November 2016</i>)	2 out of 3	1 out of 2
Professor Simon Collinson	4 out of 4	
Professor Jane Elliott	3 out of 4	4 out of 4
Professor Tara Fenwick (<i>left July 2016</i>)	2 out of 2	
Dr Alan Gillespie	4 out of 4	
Ms Meryl Hayward		3 out of 4
Mr John Headley (<i>AC Chair from November 2016</i>)		4 out of 4
Professor David Martin (<i>left November 2016</i>)	3 out of 3	3 out of 3
Dr James Richardson (<i>joined AC December 2016</i>)	3 out of 4	1 out of 1
Mr Mark Robson (<i>sabbatical from January 2017</i>)	2 out of 3	3 out of 3
Mr Martin Rosenbaum	4 out of 4	
Professor Judith Squires	4 out of 4	
Professor Alan Winters	3 out of 4	
Professor Linda Woodhead (<i>left July 2016</i>)	1 out of 2	0 out of 2
Ms Karin Woodley (<i>joined AC December 2016</i>)	3 out of 4	1 out of 1

The Directors' Group is the Executive body for ESRC and comprises myself as Chief Executive, Directors and Deputy Directors. It meets regularly, at least monthly, with governance responsibilities to manage ESRC operations and finances in line with ESRC's 2016-17 delivery plan, as well as monitoring associated risks.

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

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

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

Approach to 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 Professional Support Unit (PSU) Councils.

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

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

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

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

Significant Risks in 2016-17 and Key Mitigations

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

• Funding Allocations

As part of the 2015 spending review, ESRC's capital funding baseline was reduced from 2018-19 onwards. Consideration of Council's core budgets will be considered by UKRI as part of allocations arising from the additional £4.7b research and development funding allocated at the Autumn Statement 2016.

• Higher Education and Research Bill & Transition to UKRI

The ability of ESRC to continue to deliver its aims and objectives must be seen in the context of the wider change agenda faced by all Research Councils, with the most significant of these being the impact of the Higher Education and Research Act which received Royal Assent on 27 April 2017. The Act provides the necessary legislation to create a new organisation called UK Research and Innovation (UKRI), which will incorporate the functions of all seven Research Councils, Innovate UK and HEFCE's research and knowledge exchange functions. The anticipated creation of UKRI in April 2018 will present significant governance challenges to all Research Councils. ESRC has been fully engaged in the process and is working collaboratively with BEIS to identify and actively mitigate any risks.

As the Bill passed through the Parliamentary approval process, the Research Councils continued to push forward the RCUK Change Programme and the subsequent UKRI Transition Programme during 2016-17. This is covered in more detail later and the risk remains that the uncertainty and the creation of new working groups may affect staff morale and place additional demands on resource. This may in turn make it difficult to maintain 'business as usual' in the transition leading to the new structure unless mitigations are in place. The continuity of staff particularly at a senior level will therefore be a key factor during this period. ESRC is fully engaged in the UKRI Transition Programme at both strategic and operational levels and will continue to influence the agenda where possible. The Directors' Group also monitor the impact on ESRC's resources.

• BREXIT

The result of the EU Referendum has created uncertainty around the future availability of EU Funding and the wider research and Higher Education ecosystem. This risk is currently being managed at a cross Council level through the creation of the RCUK Brexit Co-ordination Network. ESRC has representation on this group which enables the ESRC position to be voiced and the collective position to be considered by ESRC Directors' Group.

• **Cyber Security**

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

• **Global Challenges Research Fund (GCRF)**

ESRC is actively managing the risk of not maximising the impact of its GCRF funding. The success rates on calls stands at between 20-25%, slightly above that for standard grants. ESRC is also participating in more cross Council calls than any other RCUK partner. This has positioned the social sciences well for the larger interdisciplinary GCRF collective fund calls. This work does however impact on staff resourcing which is being monitored.

• **Administrative Data Research Network (ADRN)**

ADRN is an ESRC business critical project and seeks to improve access to and linkages between administrative datasets for research purposes to help tackle some of the major issues facing society in new ways. The main risk being managed through the risk management process is the failure of ADRN to function effectively by (a) agreeing access to data held by government departments, (b) not taking into account the needs and concerns of the public, and (c) not taking into account the needs of data owners. These are being managed through the ADRN Directors Group and the ADRN Board. A mid-term review and an independent Gateway review were concluded in October and July 2016 respectively. ADRN and ESRC are focussed on delivering the recommendations of these reviews.

• **UK Shared Business Services (UK SBS)**

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

Efficiency

Efficiency Programme

From 2011 to 2016 the Research Councils implemented an efficiency programme to drive down the costs and overheads associated with research. The efficiency savings derived from this programme were re-invested in research.

In the spring of 2011 RCUK published *Efficiency 2011-15: Ensuring Excellence with Impact* describing how the Research Councils would implement the recommendations in Sir William Wakeham's report *Financial Sustainability and Efficiency in Full Economic Costing of Research in UK Higher Education Institution*. The efficiency savings were applied to both research grants and fellowships awarded via competitive routes to research organisations and also to Research Council institutes.

The efficiency programme ended in March 2016 and during its five years achieved savings of £545 million, exceeding the planned target. This figure will rise to over £610 million over the next few years as the ongoing contributions from the efficiency savings deducted at source from grants awarded during this period are included.

Further details of the efficiency programme can be found at the following <http://www.rcuk.ac.uk/research/efficiency/efficiency2011/> <http://www.rcuk.ac.uk/Publications/policy/Efficiency2011/>

Alongside these measures the Research Councils also introduced changes to the requests for equipment on grants, including asking applicants to demonstrate how the usage of the equipment will be maximised. RCUK has worked with university partners to develop options to promote and assist equipment sharing, including exploring the use of asset registers.

UKRI Transition Programme

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

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

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

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

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

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

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

Professional Support Unit (PSU)

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

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

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

The PSU recognises that future developments in respect of the RCUK Change Programme and the creation of UKRI will impact on its future. This is reflected in the PSU Risk Register with the Head of PSU fully engaged in the wider Research Council discussions.

Other Key Management Activities

Pay Remit

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

Information Management

The PSU Information Management Team is responsible for:

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

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

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

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

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

During the year all ESRC staff carried out Information Security training appropriate to their level of responsibility via an e-learning package. This is also considered to be an important tool to raise the awareness of staff to the threat of cyber security.

Health and Safety

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

Transparency

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

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

Ministerial Directions

There were no Ministerial directions given in 2016-17.

Tax Arrangements for Public Sector Appointees

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

In 2016-17, ESRC identified no contractors who fell within the Alexander Review criteria.

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

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

Macpherson Review

The review of quality assurance of Government analytical models undertaken by Sir Nicholas Macpherson and published by HM Treasury in March 2013 made a number of recommendations for government departments and their Arm's Length Bodies. To comply with this review and the BEIS requirements ESRC have reviewed their use of analytical modelling in 2016-17 and have not identified any that were considered to be business critical.

Austerity Measures

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

Regularity and Propriety

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

ESRC follows the harmonised Counter Fraud & Bribery policy which is subject to annual review by the PSU Head of Risk & Governance. All staff are reminded of the policy on an annual basis, which is available to all staff through the PSU portal, thus ensuring that there is an awareness of their responsibilities to report fraud and the process by which to do so. All staff are also required to undertake the annual e-learning awareness training covering counter fraud and bribery and in 2016-17 this was completed by 100% of staff.

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

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

I can confirm that for 2016-17:

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

Review of Effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of governance, risk management and other internal controls at the ESRC to ensure a sound system of internal control is being maintained. In 2016-17 this review has been informed by the work of the: ESRC's Director; the Audit Committee; the internal audit service; the National Audit Office and cross-Council assurance programmes. The conclusion of my review is covered overleaf.

Stewardship Reporting

As part of the assurance process I have received an annual report from the Director for Policy & Resources on the governance and internal control framework which has been in operation. I am content that the 2016-17 report provides me with reasonable assurance that a sound framework has operated throughout the year. Some areas have been identified for

improvement which will be taken forward during 2017-18 against an agreed action plan. The position will require constant vigilance during 2017-18 as the Research Councils transition towards UKRI.

Audit Committee

I have examined the reports of ESRC Audit Committee meetings including their review of internal controls, governance and risk management processes. I attended all Audit Committee meetings and other than the UK SBS issues and the progress of the ADRN, both of which are covered elsewhere in this report, no major issues of concern have been raised with me by the committee.

Internal Audit

Internal Audit is provided by the Government Internal Audit Agency (GIAA) which, from October 2016, subsumed the Councils' own Audit and Assurance Services Group (AASG). The Head of Internal Audit is required to provide me with an opinion on the overall adequacy and effectiveness of the ESRC's framework of governance, risk management and internal control. This opinion is informed by the internal audit work completed during the year; in line with the internal audit plan agreed by management and the Audit Committee. The work of AASG provides assurance in two areas: core ESRC activities and cross-Council activities with an ESRC involvement.

In 2016-17, based on the audit work covered below, AASG was able to provide ESRC with an overall Moderate Level of assurance on the adequacy and effectiveness of ESRC's internal controls, risk management and governance processes.

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

Core ESRC Audits

The core audits undertaken in 2016-17 were:

- Management information – Moderate Assurance;
- Development and Delivery of Strategic Plan and Objectives – Moderate Assurance;
- PSU - Embedding Cyber Security – Moderate Assurance;
- PSU Information Management – Limited Assurance;
- PSU - Risk Management and Assurance Mapping – Moderate Assurance;
- Follow up of Audit Recommendations.

The PSU Information Management audit received Limited Assurance largely due to weaknesses in respect of the records management of information assets. All accepted recommendations in relation to the above audits have implementation plans in place.

Cross-Council Audits

In 2016-17, AASG carried out 26 cross Council activities that were relevant to ESRC.

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

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

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

Funding Assurance

Across the RCUK community research funding totals £2.9Bn of which £216M relates to ESRC. The funding landscape has two major funding streams: 1. Grants administered through the Research Councils' automated grant management system 'Siebel' (ESRC c£200M) and awarded to eligible Research Organisations (ROs); 2. Funding distributed outside the Siebel system (ESRC c£16M) including Strategic partnerships.

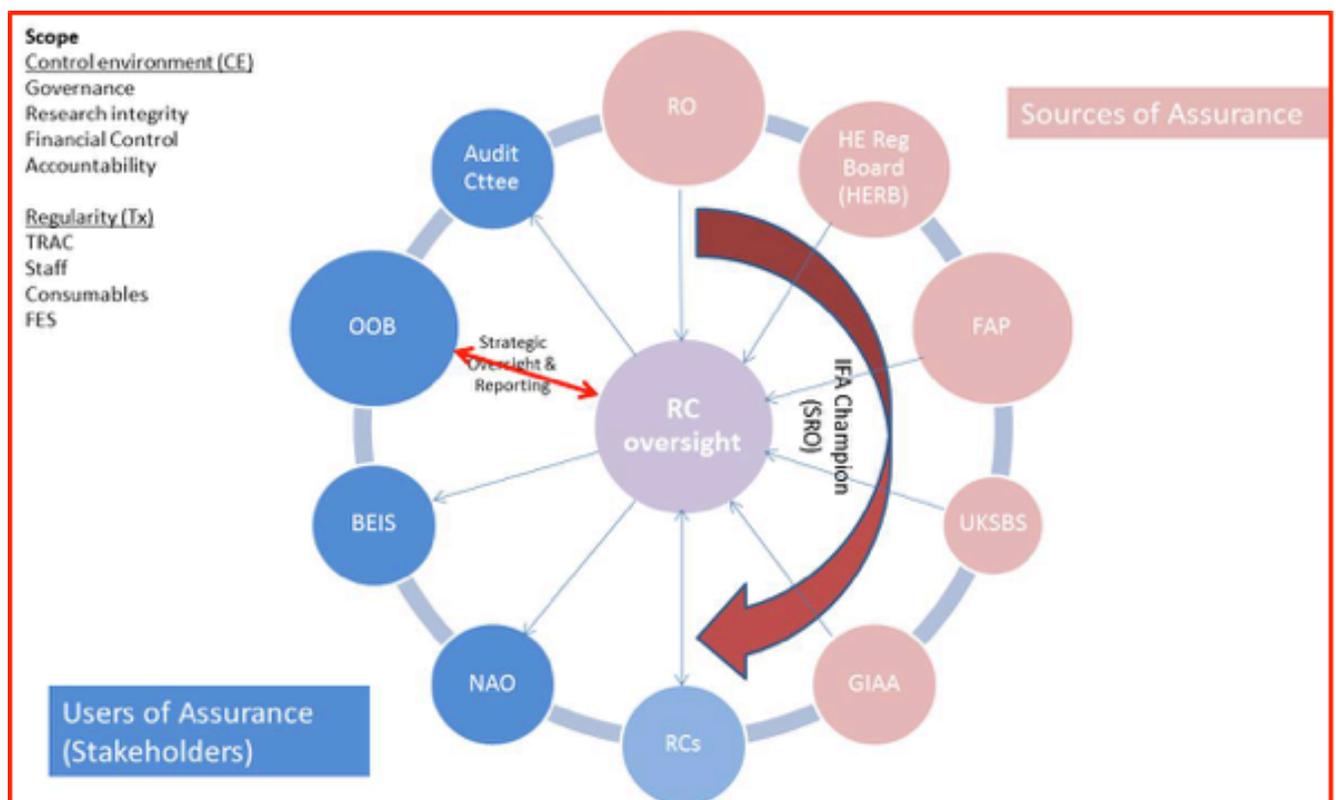
During the year a Funding Assurance Working Group (FAWG) was set up to review the framework and a revised Integrated Funding Assurance (IFA). This framework is predicated on establishing appropriate accountability within the RO in receipt of funding and collating assurance from a range of sources shown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

SIEBEL Grants

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

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

Figure 1: IFA Framework



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

Non-Siebel awards/funding

Collaborative research with other public sector bodies including BEIS Partner Organisations represents the major part of ESRC non-SIEBEL funding (£13M) and these organisations already have a well-managed control and audit regime in accordance with '*Managing Public Money*'. No issues were identified in 2016-17.

The remaining expenditure is covered by contracts with specific conditions and agreements. No issues were identified in 2016-17.

Summary

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

UK SBS Assurance

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

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

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

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

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

UK SBS Risks and Issues

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

The Security and Resilience programme for Oracle 12.0.6, saw the successful update and transfer of databases and applications to a new environment at the end of 2016. Notable benefits are to the security and resilience with the security assessment undertaken after the transfer indicating that the systems were well within the best practise threshold. Planning

for the proposed Oracle upgrade from 12.0.6 to 12.1.3 is underway. Once completed, this will mean that both the platform and full application stack will be back into full support until 2021, opening the door for further improvements and upgrades if required and providing significant contingency for ongoing service provision for the Research Councils and UKRI pending a decision on future direction.

UK SBS highlights its key risks as continued resilience and capacity and capability, UK SBS' ability to maintain service delivery and to prepare for and transfer services over the next two-three years will be highly dependent on capacity and capability.

External Audit

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

Conclusion

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



Professor Jane Elliott
Accounting Officer
21 June 2017

Remuneration and Staff Report 2016-2017

Council Chair and Council Members except Chief Executive

Unaudited Information

Policy

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

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

Council Chair and Council Members are defined as Office Holders. They are neither employees nor civil servants. Appointments are usually made for four years. In exceptional cases members may be offered the possibility of re-appointment for up to a further four years. Appointments are non-pensionable and there is no compensation for loss of office.

As well as an honorarium in recognition of their service to ESRC, Council members are refunded for reasonable expenses. Remuneration rates for Council Chair and Council Members are the same across Research Councils. Members of Council who are civil servants are not entitled to receive an honorarium.

Remuneration

Audited Information

Council Chair and Council Members	Period of Appointment	2016-17 Remuneration £000	2015-16 Remuneration £000
Dr Alan Gillespie – Chair of Council	10-06-09 – 09-06-17	15 – 20	15 – 20
Mr Paul Grice	26-10-09 – 31-07-15	-	0 – 5
Mr Martin Coleman	01-04-10 – 30-11-16	0 – 5	5 – 10
Professor David Martin	01-08-10 – 30-11-16	0 – 5	5 – 10
Professor Linda Woodhead	01-08-13 – 31-07-16	0 – 5	5 – 10
Professor Tara Fenwick	01-08-13 – 31-07-16	0 – 5	5 – 10
Dr James Richardson*	01-08-13 – 31-07-17	-	-
Professor Dame Glynis Breakwell	01-08-11 – 31-07-17	5 – 10	5 – 10
Professor Simon Collinson	01-04-11 – 31-03-18	5 – 10	5 – 10
Mr Martin Rosenbaum	01-08-12 – 31-07-18	5 – 10	5 – 10
Professor Judith Squires	01-09-14 – 31-08-18	5 – 10	5 – 10
Ms Karin Woodley	01-02-15 – 31-01-19	5 – 10	5 – 10
Professor L Alan Winters	01-02-15 – 31-01-19	5 – 10	5 – 10
Mr Mark Robson	01-03-15 – 28-02-19	0 – 5	5 – 10
Professor Jane Falkingham	01-03-17 – 31-03-18	0 – 5	-
Professor Melinda Mills	01-03-17 – 31-03-18	0 – 5	-
Susan Penwarden	08-03-17 – 31-03-18	0 – 5	-
Professor Nigel Gilbert	01-03-17 – 31-03-18	0 – 5	-

* Remuneration not payable as member works in the Civil Service

Chief Executive and ESRC Directors

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

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

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

There is no separate Remuneration Committee that considers the pay of other employees, as they are covered by a collective agreement with Trades Unions which is managed through the Research Council Harmonised Pay consortium. All pay awards are subject to a satisfactory performance assessment. The amount of any non-consolidated one-off payment is determined by the level of performance rating within the year.

Contracts of Employment

Chief Executive

The Chief Executive is contracted for the period 1 October 2014 to 30 September 2018. This is a part-time appointment at 0.95 FTE but increased to full time 1 FTE on 1 April 2016. The present Chief Executive has given notice of her intention to take up a new position with effect from the beginning of September.

Directors

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

Remuneration of Directors

Remuneration	2016-17				2015-16			
	Salary (£000)	Bonus (£000)	Pension benefits* (£000)	Total (£000)	Salary (£000)	Bonus (£000)	Pension benefits* (£000)	Total (£000)
Prof B J Elliott, Chief Executive	120-125	10-15 ¹	55-60	190-195	110-115	-	44	155-160
Mr P Sooben, Director	75-80	-	40-45	115-120	75-80	0-5	29	105-110
Prof T McEnergy ²	35-40	-	6.84 ³	40-45	-	-	-	-
Prof P Boyle Chief Executive ⁴	-	-	-	-	-	25-30	-	25-30
Mr A Alsop Director ⁵	-	-	-	-	40-45	0-5	102	145-150

* 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 Performance Bonuses for 2015-2016 paid in 2016-17.

² Professor Tony McEnergy is an employee of Lancaster University and is on secondment to ESRC from 1 Oct 2016. The values shown above are the amounts reimbursed (excl Pension & NI contributions) to Lancaster University and only reflect his duties as the Director of Research. VAT is payable on the total amount invoiced, but is not included in the figure above. ESRC also cover the cost of travel and accommodation cost between Lancaster and ESRC. This is a 5 Year part-time contract of 0.80 of 1 FTE. Full year FTE equivalent salary £90k-95k.

³ The pension benefit disclosure for Prof McEnergy is not equivalent to the pension benefit disclosure of the other ESRC directors, it is the re-imbursement of the contributions ESRC makes to Lancaster University in respect of Prof McEnergy's pension.

⁴ Professor Boyle left on the 31 August 2014. His 2014-15 bonus was paid in 2015-16.

⁵ Mr Alsop left on 31 May 2015 and the salary for 2015-16 includes a payment in lieu of notice of £24.6k and holiday pay of £4.2k. His full year equivalent salary is in the salary band £70-75k.

Reporting bodies are required to disclose the relationship between the remuneration of the highest-paid director in their organisation and the median remuneration of the organisation's workforce. The median includes any bonuses payable but excludes pension benefits accrued during the year.

	2016-17	2015-16
Banded Remuneration of highest paid Director (£000)	£130-£135	£120-£125
Median Remuneration of ESRC workforce (£)	£30,794	£31,238
Range of Staff Remuneration (£)	£15,263 - £134,532	£18,661 - £120,000
Ratio	4.30	3.92

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

It does not include severance payments, re-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 1.13% between 2015-16 and 2016-17.

The monetary value of benefits in kind covers any benefits provided by the employer and treated by HM Revenue and Customs as a taxable emolument. There were no benefits in kind paid to any of the ESRC Executive in 2016-17. In 2016-17 no employees received remuneration in excess of the highest-paid director (2015-16, 0).

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

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

Pension Benefits

Chief Executive and Directors	Accrued pension at pension age as at 31.3.17 and related lump sum £000	Real increase in pension and related lump sum at pension age £000	CETV at 31.3.17 £000	CETV at 31.3.16 £000	Real increase in CETV £000
Prof B J Elliott Chief Executive	5-10 No lump sum	2.5-5 No lump sum	91	49	32
Mr P Sooben Director	30-35 Plus lump sum 40-45	0-2.5 Plus lump sum 0-2.5	561	504	33
Prof T McEnery Director*	-	-	-	-	-
Mr A Alsop Director**	-	-	-	824	-

* On secondment from Lancaster University from 1 Oct 16

** A payment for added pension and buy out on retirement was effective from 31 March 2015.

Pension Schemes

The employees of ESRC are automatically enrolled to the Research Councils' Pension Scheme (RCPS) which is an unfunded multi-employer defined benefit scheme paid for by employee and employer contributions as well as annual grant-in-aid on a pay-as-you-go basis. The RCPS is in all respects 'by-analogy' to the Principal Civil Service Pension Scheme (PCPS), except that the employer's contribution is determined separately. The scheme provides retirement and related benefits based on final or average emoluments. Redundancy and injury benefits are administered and funded by the Council. The scheme is administered by Joint Superannuation Service (JSS), a unit hosted by BBSRC with the associated grant-in-aid managed by BBSRC Finance. Employees may be in one of four defined benefit scheme arrangements; either a 'final salary' scheme (Classic, Classic Plus or Premium); or a career average scheme (NUVOS). Pensions payable are increased annually in line with changes

in the Consumer Prices Index (CPI). The employer contribution rate is agreed by the RCPS Management Board on the recommendation of the scheme actuary, 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 2016 to 31 March 2017 the rates and annualised earning brackets were as follows:

Annualised pensionable earnings	Classic % contribution rate before tax relief	Classic Plus, Premium & 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 2016-17 was £690.56 (2015-16 £14,164.86).

The accrued pension quoted is the pension the member is entitled to receive when they reach pension age or immediately on ceasing to be an active member of the scheme if they are already at or over pensionable age. Pensionable age is 60 for members of classic, classic plus and premium and 65 for members of NUVOS.

On 1 April 2015 Civil Service Pensions launched a new pension scheme called Alpha. This scheme is similar to the Nuvos career average scheme but with the retirement age aligned to the state pension age. RCPS cannot operate by analogy to the Alpha scheme as the legislation does not permit this. Reform plans are in progress and expected to be implemented in April 2018. In the meantime BIS (now BEIS) have given permission for RCPS to continue 'as is' beyond April 2015.

For further details about the Research Councils' Pension Scheme pension arrangements can be found at the website <http://jsspensions.nerc.ac.uk>

Contributions are set at a level that is expected to be sufficient to pay the required benefits falling due in the same period, with future benefits earned during the current period to be paid out of future contributions. Any shortfall in the year is funded by a grant-in-aid payment from BEIS.

The assets of all schemes are held separately from those of ESRC in an independently administered scheme. It is not possible to identify the ESRC's share of the underlying assets and liabilities of any of the pension schemes. In RCPS, ESRC has no legal or constructive obligation to pay those future benefits. Its only obligation is to pay the contributions as they fall due and if the entity ceases to employ members of RCPS, it will have no obligation to pay the benefits earned by its own employees in previous years. For this reason, RCPS is treated as a defined benefit plan as stated in IAS 19.

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

Formal actuarial valuations are used to determine employer and employee contribution rates. The last actuarial 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 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.

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

ESRC Staff Report

Staff Numbers & Related Costs

Staff Costs	2016-17 Total £'000	2015-16 Total £'000
Wages and Salaries	4,776	4,944
Social Security Costs	457	359
Other Pension Costs	1,115	1,128
Temp Staff	10	69
Secondment Expenditure	87	49
Total Staff Costs as per Statement of Comprehensive Net Expenditure	6,445	6,549
Less recoveries in respect of outward secondments	(381)	(271)
Total Staff Costs after deduction of income received for secondments	6,064	6,278

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

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

The average number of full time equivalent persons employed during the year was as follows:

Staff Numbers	2016-17		2015-16		Total	
	ESRC	PSU	ESRC	PSU	2016-17	2015-16
Directly employed/core staff	125	5	132	5	130	137
Seconded in	1	-	1	-	1	1
Temp Staff	1	-	2	-	1	2
Staff Numbers	127	5	135	5	132	140
Less Seconded Out	(7)	(1)	(5)	-	(8)	(5)
Staff Numbers	120	4	130	5	124	135

Staff Numbers	2016-17		2015-16		Total	
	Male	Female	Male	Female	2016-17	2015-16
Directors	1	1	1	1	2	2
Senior Managers	5	12	5	12	17	17
Other employees	28	83	30	88	111	118
Total Directly Employed/Core Staff	34	96	36	101	130	137

The AHRC hosts the PSU on behalf of ESRC, EPSRC and AHRC, providing HR, Finance, Project, Reprographics and Information Services to the three Councils. A cost recharge across the functions relating to the support provided was applied in the year. All new staff appointments across these functions are recruited to AHRC.

There are no current graduate placements for 2016-17 (2015-16, 8).

Civil service compensation scheme analysis

	Compulsory Redundancies		Other Departures		Total Departures		Cost of Total Packages	
	2016-17	2015-16	2016-17	2015-16	2016-17	2015-16	2016-17 £000	2015-16 £000
Value								
<£10,000	-	-	-	-	-	-	-	-
£10,000 – £24,999	-	-	-	1	-	1	-	25
£25,000 – £49,999	-	-	1	-	1	-	28	-
£50,000 – £99,999	-	-	-	-	-	-	-	-
£100,000 – £149,999	-	-	-	-	-	-	-	-
£150,000 – £200,000	-	-	-	-	-	-	-	-
Totals	-	-	1	1	1	1	28	25

Unaudited Information

Staff Policies

Sickness Absence

PSU HR and the Research Council management monitor staff sick absences on an on-going basis with all sickness absences followed up by a return to work interview in line with the harmonised Research Council Sickness Absence Policy. Short-term and long-term absences are managed on a case-by-case basis with appropriate support from an Occupational Health Assessor. Average working days lost per person within the public sector during 2015-16 was 9. Comparative data for 2016-17 is not yet published.

	2016-17	2015-16
Average number of staff during year	130	137
Total days lost to sickness	1,278	1,549
Average working days lost	10	11
Days lost to long-term absences	304	763

Common causes of absence	2016-17	
	Days lost	%
Anxiety/Stress Related	183	14
Cough/Cold/Flu	171	13
Chronic Fatigue	132	10
Depression	70	5
Headache/Migrane/Concussion	62	5
Totals	618	47

Diversity and Equality

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

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

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

Employee Engagement

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

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

ESRC actively participate in the Civil Service People Survey, with results consistently at or above the upper quartile, ESRC scored 67 in 2015 and 66 in 2016 (upper quartile 65 and above). Findings are discussed with all employees through RC working groups and there is a continuous dialogue to ensure that employees are engaged on issues which affect them at work.

Health and Safety

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

Parliamentary Accountability and Audit Report

Audited Information

Regularity of Expenditure

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

Special Payments and Losses

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

Contingent liabilities

ESRC has no contingent liabilities as at 31 March 2017.



Professor Jane Elliott
Accounting Officer
21 June 2017

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

I certify that I have audited the financial statements of the Economic and Social Research Council for the year ended 31 March 2017 under the Science and Technology Act 1965. The financial statements comprise: Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Parliamentary Accountability disclosures that is described in those reports as having been audited.

Respective responsibilities of the Council, Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Council and the Chief Executive, as Accounting Officer, are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Science and Technology Act 1965. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

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

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Economic and Social Research Council's affairs as at 31 March 2017 and the net operating expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Science and Technology Act 1965 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited have been properly prepared in accordance with Secretary of State directions made under the Science and Technology Act 1965; 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 Remuneration and Staff Report and the Parliamentary Accountability disclosures to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Sir Amyas C E Morse

Date 5 July 2017

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

Financial Statements

Accounts

Statement of Comprehensive Net Expenditure for the year ended 31 March 2017

		2016-17	Re-represented 2015-16
	Note	£000	£000
Total Operating Income	6	(30,948)	(25,333)
Staff costs	3	6,445	6,549
Purchase of Goods and Services	5	3,368	4,300
Depreciation and Impairment Charges	7	90	77
Research and Development	4	215,768	203,718
Notional Service charge		1,292	1,316
Total Operating expenditure		226,963	215,960
Net Operating expenditure		196,015	190,627
Net (gain)/loss on revaluation of non-current assets	8	(36)	(1,233)
Total Comprehensive Expenditure for the Year		195,979	189,394

The notes on pages 60-72 form part of these accounts

Statement of Financial Position as at 31 March 2017

	Note	As at March 2017 £000	As at March 2016 £000
Non-Current Assets			
Property, Plant and Equipment	8	3,134	3,188
Total Non-Current Assets		3,134	3,188
Current Assets			
Trade and Other Receivables	9	7,163	6,757
Cash and Cash Equivalents	10	8,040	8,243
Total Current Assets		15,203	15,000
Total Assets		18,337	18,188
Current Liabilities			
Trade and Other Payables	11	(23,719)	(23,527)
Total Current Liabilities		(23,719)	(23,527)
Total Assets less Current Liabilities		(5,382)	(5,339)
Assets less Total Liabilities		(5,382)	(5,339)
Taxpayers' Equity			
General Fund		(8,013)	(8,012)
Revaluation Reserve		2,631	2,673
Total Taxpayers Equity		(5,382)	(5,339)



Professor Jane Elliott
Accounting Officer
21 June 2017

Accounts

Statement of Cash Flows for the year ended 31 March 2017

			Re-represented
	Note	2016-17 £000	2015-16 £000
Cash Flows from Operating Activities			
Net Operating expenditure for the year		(196,015)	(190,627)
Adjustment for Non-Cash Transactions	7	90	77
(Increase)/Decrease in Trade and Other Receivables	9	(406)	1,136
Increase/(Decrease) in Trade and Other Payables	11	192	(701)
Net Cash Outflow from Operating Activities		(196,139)	(190,115)
Cash Flows from Financing Activities			
Grant in Aid Received from BEIS		194,644	193,229
Grant in Aid Received from BEIS - Non DEL			2,000
Notional Service Charge		1,292	1,316
Net Financing		195,936	196,545
Net Increase/(Decrease) in Cash and Cash Equivalents in the period	10	(203)	6,430
Cash and Cash Equivalents at the beginning of the period	10	8,243	1,813
Cash and Cash Equivalents at the end of the period	10	8,040	8,243

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2017

Re-represented

	Revaluation Reserve £000	General Reserve £000	Total Reserved £000
Balance at 1 April 2015	1,462	(13,952)	(12,490)
Funding from BEIS	-	195,229	195,229
Net Expenditure for the year	-	(190,627)	(190,627)
Notional Service Charge	-	1,316	1,316
Transfer between Reserves	(22)	22	-
Gains/Losses recognised in the SOCNE	1,233	-	1,233
Balance at 31 March 2016	2,673	(8,012)	(5,339)
Balance at 1 April 2016	2,673	(8,012)	(5,339)
Funding from BEIS		194,644	194,644
Net Expenditure for the year		(196,015)	(196,015)
Notional Service Charge		1,292	1,292
Transfer between Reserves	(78)	78	0
Gains/Losses recognised in the SOCNE	36		36
Balance at 31 March 2017	2,631	(8,013)	(5,382)

Notes to the Accounts

I. Statement of Accounting Policies

a. Basis of Accounting and Accounting Convention

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

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

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

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

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

Going Concern

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

The Higher Education & Research Bill received its first reading in May 2016 setting out the government's intention regarding the research council's future, with the creation of a single executive non-department public body operating at arm's length from Government – UK Research and Innovation (UKRI). The Act states the Government will ensure the seven research discipline areas continue to have strong and autonomous leadership, and that UKRI will incorporate the assets, liabilities and functions of the seven Research Councils, Innovate UK, and HEFCE's research funding. The names and brands of the Research Councils and Innovate UK will be retained amongst a number of other protections. The bill received royal assent on the 27th April 17. On the strength of this information, the accounts have been prepared on a going concern basis.

Adoption of Standards and Changes in Policy

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

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). The adoption date of IAS 16 is anticipated to be 2019-20 but is not yet endorsed by EU.

b. Financing and Income

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

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

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

c. Non-Current Assets

Property, Plant and Equipment (PPE)

Capital expenditure in PPE includes the purchase of IT equipment, office equipment, fixtures and fittings, equipment and land and buildings valued at £10,000 or more.

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

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

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

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

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

Intangible Assets

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

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

Software	5 years
Websites	5 years
Data Sets	5–10 years

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 asset is brought fully into use and transferred to the appropriate asset category. They are then amortised at the same rate as the other assets in that category.

Notes to the Accounts

Impairment of Non-Current Assets

The ESRC 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 ESRC'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 or Facilities Purchased with Council Grants

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

e. Grants

Subject to the terms and conditions under which research grants are awarded, the ESRC makes payments for grants on the basis of pre-determined quarterly profiles. Profiles are arranged, in overall terms, to reflect the rate and incidence of expenditure at the grant-holding organisation. Payments are normally made in the period to which they relate, although ESRC retains some latitude in timing. Grant expenditure is accounted for on an accruals basis to reflect the usage of grant funds on work carried out. Future commitments at the Statement of Financial Position date are disclosed in Note 13 page 70.

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

For 2015-16 ESRC changed its approach to making accruals and prepayments that relate exclusively to grant underspend. The new approach is in line with that of the other PSU councils and ensures a higher level of harmonisation.

f. Financial Instruments

Due to the non-trading nature of its activities and the way in which the ESRC is financed, the ESRC 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 that would be typical of listed companies. The ESRC 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 ESRC 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 ESRC will not be able to collect all amounts due according to the original terms of the receivable. The amount of provision is the difference between the carrying amount and recoverable amount and is recognised in the Statement of Comprehensive Net Expenditure.

Trade Payables

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

g. Accounting Estimates and Judgements

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

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

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

h. Value Added Tax (VAT)

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

i. Pension Costs

Retirement benefits to employees of the Council are provided by the Research Councils' Pension Scheme (RCPS). 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 SBS Charge

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

Notes to the Accounts

2. Statement of Operating Costs by Operating Segment

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

	Research £000	Postgraduate £000	Other Programme £000	Other Administration £000	Re-represented 2015-16 £000
Income	-	-	(25,182)	(151)	(25,333)
Staff Costs	-	-	5,272	1,277	6,549
Purchase of Goods and Services	-	-	2,501	1,799	4,300
Depreciation, Amortisation and Impairment	-	-	39	38	77
Research and Development	158,840	44,701	177	-	203,718
Notional Service charge	-	-	-	1,316	1,316
Total Operating Expenditure	158,840	44,701	(17,193)	4,279	190,627

3. Staff Costs

	2016-17 £000	2015-16 £000
Wages and Salaries	4,873	5,062
Social Security Costs	457	359
Other Pension Costs	1,115	1,128
Total Staff Costs	6,445	6,549

Further information on staff costs can be found on page 47 of the Remuneration and Staff Report.

4a Research

	2016-17 £000	2015-16 £000
Responsive	37,860	40,266
Strategic & Collaborative	55,078	54,475
Methods & Infrastructure	39,826	37,263
International & Others	2,025	2,055
Training & Skills	12,495	10,698
Knowledge Exchange	11,110	9,448
Newton & Other	9,154	1,243
Total Expenditure on Research	167,548	155,448

4b Postgraduate Awards

	2016-17 £000	2015-16 £000
Training & Skills	44,384	44,701
Newton & Other	1,700	
Total Expenditure on Postgraduate Awards	46,084	44,701

4c Research Fellowships

	2016-17 £000	2015-16 £000
Responsive	356	1,704
Strategic & Collaborative	1,477	1,560
Training & Skills	78	52
Knowledge & Exchange	-	76
Total Expenditure on Research Fellowships	1,911	3,392

4d International Subscriptions

	2016-17 £000	2015-16 £000
Strategic & Collaborative	75	69
International & Others	150	108
Total Expenditure on International Subscriptions	225	177

Notes to the Accounts

5 Purchase of Goods and Services

	Re-represented	
	2016-17	2015-16
	£000	£000
Accommodation	266	351
Professional services	204	335
Consultancy	-	29
IT costs, support costs and Telecommunications	175	273
Training and other staff costs	221	249
UK Travel & Subsistence	388	455
Overseas Travel & subsistence	99	113
Advertising and publicity	584	1,100
External Audit fees	47	47
Catering services	83	141
Other costs	341	171
Other audit costs	68	48
Outsourced programme management services	892	988
Total Expenditure on Goods and Services	3,368	4,300

6 Income

Re-represented

	2016-17	2015-16
	£000	£000
Fee Income	(72)	(68)
Current Grants from Central Government	(8,201)	(1,736)
Current Grants from Private Sector Companies	(194)	(707)
Income from other Government	(22,481)	(22,822)
Total	(30,948)	(25,333)

7 Depreciation and Amortisation Charges

	2016-17	2015-16
	£000	£000
Depreciation Property, Plant and Equipment	90	38
Amortisation intangible assets	-	39
Total	90	77

Notes to the Accounts

8 Property, Plant and Equipment

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

	Land £000	Buildings £000	Furniture & Fittings £000	Total £000
Cost or Valuation at 1 April 2015	1,140	2,098	3	3,241
Additions	-	-	-	-
Disposals	-	-	-	-
Revaluations	(182)	682		500
At 31 March 2016	958	2,780	3	3,741
Depreciation at 1 April 2015	-	1,245	3	1,248
Charge in the year	-	38	-	38
Revaluations	-	(733)	-	(733)
At 31 March 2016	-	550	3	553
Net book value at 31 March 2016	958	2,230	-	3,188

9 Trade Receivables and Other Current Assets

	31 March 2017	Re-represented 31 March 2016
	£000	£000
Trade Receivables	2,966	3,356
Prepayments and accrued income	4,187	3,193
Other Receivables	10	208
Total Receivables	7,163	6,757

10 Cash and Cash Equivalents

	31 March 2017	31 March 2016
	£000	£000
Balance at 1 April 2016	8,243	1,813
Net change in cash and cash equivalents	(203)	6,430
Balance at 31 March 2017 Held in Government Banking Services (GBS)	8,040	8,243

11 Trade Payables and Other Current Liabilities

	31 March 2017	Re-represented 31 March 2016
	£000	£000
VAT	(56)	(84)
Trade Payables	(2,801)	(3,538)
Other Payables	(171)	(202)
Accruals and deferred Income	(20,691)	(19,703)
Total Payables	(23,719)	(23,527)

12 Third Party Asset

	31 March 2017	31 March 2016
	£000	£000
Balance at 1 April	518	674
Gross Inflow	-	-
Gross Outflow	(44)	(156)
Balance at 31 March	474	518

In 2014-15, €824,117 was transferred to ESRC who has been appointed coordinator of the EU-India Platform for the Social Sciences and Humanities (EqUIP), European Union Grant Agreement Number 613236. The funds held on behalf of the third party are recognised and recorded in GBP, ESRC's functional currency. These are not ESRC assets and are not included in the Financial Statements.

Notes to the Accounts

13 Other Financial Commitments

The payments to which the ESRC is committed during 2016-17, analysed by the fiscal period during which the commitment expires are as follows:

Research Awards	2016-17 £000	2015-16 £000
2016-17	-	140,907
2017-18	144,711	101,811
2018-19	79,339	48,621
Later Years	53,650	28,296
Postgraduate Training		
2016-17	-	40,694
2017-18	42,647	28,218
2018-19	26,151	13,880
Later Years	22,470	
Other		
2016-17	-	12,127
2017-18	9,213	8,927
2018-19	9,235	3,604
Later Years	6,689	630

For 2016-17 Research and Knowledge Exchange categories have been combined.

14 Financial Instruments

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

No financial instruments were held or traded for the period ending 31 March 2017.

15 Related Party Transactions

ESRC is a Non Departmental Public Body sponsored by BEIS. It complied with 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, ESRC has had various material transactions with BEIS and with other entities for which BEIS is regarded as their parent department, as follows: Arts and Humanities Research Council; Biotechnology and Biological Research Council; Department for Business, Energy and Industrial Strategy; Engineering and Physical Sciences Research Council; Medical Research Council; Natural Environment Research Council; Science and Technology Research Council; Innovate UK Ltd. In addition ESRC has had various material transactions with the UK SBS Ltd.

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

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

Awards and Fellowships

Table A

There were no material transactions where the individual/group had a direct interest in an ESRC award.

Table B

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

Table C

This table outlines in year financial transactions with organisations where Council or Audit Committee Members held a position of influence.

Council Member	Institution	Aggregate Amount £000
Alan Gillespie	Old Mutual plc	-
Professor Dame Glynis Breakwell	Bath University	419
Ms Susan Penwarden	Aviva France	-
Professor Judith Squires	University of Bristol	6,061
Ms Karin Woodley	Cambridge House	-
Mr John Headley	University of East London	124
Ms Meryl Hayward	English Heritage	-
Professor Simon Collinson	University of Birmingham	3,231
Professor Melinda Mills	Oxford University	8,735
Professor Martin Coleman	Kent University	888

Notes to the Accounts

16 Events After the Reporting Period

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

On the 27th April 2017 the Higher Education and Research Act received Royal Assent. This forms the basis of the formation of UKRI.



Economic and Social Research Council
Polaris House
North Star Avenue
Swindon SN2 1UJ

Telephone: 01793 413000
Fax: 01793 413001
Email: comms@esrc.ac.uk

www.esrc.ac.uk

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