



Arts & Humanities  
Research Council



Department of Trade and Industry

**MANAGEMENT STATEMENT**

**AGREED BETWEEN**

**THE OFFICE OF SCIENCE AND**

**TECHNOLOGY IN THE**

**DEPARTMENT OF TRADE AND**

**INDUSTRY AND THE ARTS AND**

**HUMANITIES RESEARCH COUNCIL**

**APRIL 2005**



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## **I. INTRODUCTION**

### This document

1. This Management Statement, which comes into force when it has been signed by both parties, and its associated Financial Memorandum have been drawn up by the Office of Science and Technology in the Department of Trade and Industry “the Department” in consultation with the executive NDPB the Arts and Humanities Research Council, of Whitefriars, Lewins Mead, Bristol. The document is based on a model prepared by the Treasury. In this document the “Secretary of State” is the Secretary of State for Trade and Industry and “the Council” is the Arts and Humanities Research Council. The Secretary of State has overall responsibility for the affairs of the Department. Responsibility for the Council’s activities rests with the members of the governing body including the Chief Executive in his/her role as accounting officer. It is recognised that in practice many of the activities are delegated and that most are dealt with at least in the first instance by staff members led for the Secretary of State by the DGRC and for the Council by its Chief Executive. A glossary of terms used with which some readers may not be familiar is at Annex 1.
2. Subject to the legislation and Royal Charter noted below, at paragraph 10, the Management Statement and associated Financial Memorandum sets out the broad framework within which the Council will operate, in particular:
  - the strategic aims of the Government’s policies for research and postgraduate training in the arts and humanities and the Council’s overall aims, mission, objectives and targets (section II);
  - the relationship between the Council and the other Research Councils and their mechanisms for working together within the Research Councils UK partnership (paragraph 26);
  - the relationships, responsibilities and accountability of the key people in the Council and the Department (section III);
  - the relationship between the Council’s Strategic Plan and Delivery Plan and targets the ten year strategy (paragraph 17), the Secretary of State’s top level objectives for the science budget, the Department’s current PSA and, in so far as they are relevant, any wider strategic aims (section IV);
  - the rules and guidelines relevant to the exercise of the Council’s functions, duties and powers;
  - the conditions under which any public funds are paid to the Council;
  - the performance management regime for the Council (paragraphs 24, 27, 32, 35, 39, 43, 49, 61, 66-69).

- the circumstances in which matters may need to be referred to the Department outside the presentation of the Strategic and Delivery Plans and Supply Estimates or under the other terms of this Management Statement are described in annex 9.
3. The Management Statement and Financial Memorandum do not convey any legal powers or responsibilities.
  4. The associated Financial Memorandum sets out in greater detail certain aspects of the financial provisions which the Council shall observe.
  5. Both documents shall be periodically reviewed by the Department with regard to the overall review programme for NDPBs referred to in section VII below.
  6. The Council or the Secretary of State may propose amendments at any time. Any such proposals by the Council shall be considered in the light of evolving departmental policy aims, operational factors and the track record of the Council itself. The guiding principle shall be that the extent of flexibility and freedom given to the Council shall reflect both its operational needs and the quality of its internal controls. The Secretary of State shall determine what changes, if any, are to be incorporated in the document. Legislative and Royal Charter provisions shall take precedence over any part of the document. Significant variations to the document shall be cleared with the Treasury or Cabinet Office as appropriate. The definition of “significant” will be determined by the Department in consultation with the Treasury/Cabinet Office.
  7. Both documents are to be signed and dated by the Department and the Council.
  8. Any question regarding the interpretation of the documents shall be resolved by the Department after consultation with the Council and, as necessary, with the Treasury and/or the Cabinet Office.
  9. Copies of both documents and any subsequent substantive amendments shall be placed in the Libraries of both Houses of Parliament. Copies shall also be made available to members of the public on the Council’s website.

Founding legislation; status

10. The Council is established by virtue of an Order in Council under the Higher Education Act 2004 as a body incorporated by Royal Charter. The constitution of the Council is set out in its Charter, though the provisions to provide returns, reports and accounts are set out in the Act. The Council does not carry out its functions on behalf of the Crown.

### The functions, duties and powers of the Council

11. The Charter for the Council approved to have effect from 1 April 2005 is attached at Annex 2. The main functions duties and powers are set out in the objects of the Council at Article 2.

### Classification

12. For policy/administrative purposes the Council is classified as an executive non-departmental public body.
13. For national accounts purposes the Council is classified to the central government sector.
14. References to the Council include all its subsidiaries and joint ventures that are classified to the public sector for national accounts purposes. If such a subsidiary or joint venture is created, there shall be a document setting out the arrangements between it and the Council (see also the Financial Memorandum, paragraph 58). Annex 3 shows all subsidiaries, joint ventures and charities and other bodies not being subsidiaries or joint ventures but which are effectively controlled by the Council, not just those classified to the public sector, with their current status.

## **II. AIMS, MISSION, OBJECTIVES AND TARGETS**

### Aims of the Government's policies for investment in research and postgraduate training

15. The Government's policies for investment in research and postgraduate training in science, technology, the arts, humanities and in innovation are aimed at delivering a range of benefits both economically, in terms of wealth creation, and more widely across society. The advancement of knowledge and understanding in those areas contributes to improvements in areas such as the creative output of the nation, health, the environment, quality of life and the effectiveness of public services. The success of its policies for the pursuit and use of science, technology, the arts and humanities, relies on the continuing good health of the research base. The overall purpose of public funding of the Council, and the other Research Councils, is to enable them to respond to these policies now and, as they continue to develop, in the future.
16. Within the scope of its Charter, the Council, together with the Higher Education Funding Councils and the Department of Education (Northern Ireland), contributes to the health of the publicly funded research and postgraduate training capacity of the arts and humanities research base and thus contributes to competitiveness and quality of life in the United Kingdom. The Council is expected to determine and implement strategies and plans which will meet the Government's policy objectives using its best endeavours

to identify and pursue opportunities for mutually beneficial joint working with any one or more of the other Research Councils.

#### Science and innovation investment framework (2004-2014 (“the ten year strategy”))

17. This paper sets out the Government’s long-term investment framework for British science, technology and innovation over the decade from 2004-2014. An important aim of this strategy is to increase UK R&D investment as a proportion of national income from 1.9 per cent to 2.5 per cent over the period. This paper also sets out an agenda for increasing business-university collaboration to create more routes to bring new skills into businesses and to bring new ideas successfully to the market place. It also sets out plans to drive up the number of skilled researchers and subject specialists; to put the research base on a sound financial footing through better financial management and investment in infrastructure; to support business R&D and to make the best of research across Government, especially in medical research.

#### Top level objectives for the Science Budget

18. The policies, the related top level objectives for the Science Budget and decisions on the amount of grant in aid allocated to the Council are the responsibility of the Secretary of State. Details of these objectives and funding decisions, and the rationale behind them, are set out in a ‘Science Budget’ allocations booklet (which is published after the outcome of each spending review). The allocations booklet also sets out the strategic direction, specific allocations and top level objectives that the Council should address with these funds in the upcoming period. This shall be reflected in the Delivery Plan (paragraph 59). The detailed allocation of resources to the Council is set out in an annual allocation letter.
19. As a result, public investment in the activities of the Council contributes to Department’s PSA target for science and innovation. The current PSA target is at Annex 4.

#### Research independence

20. Though the Secretary of State sets high-level objectives, the day-to-day decisions on the merits of different strategies, programmes and projects in arts and humanities research and training are taken by the Council without Government involvement.

#### The Council’s Mission

21. The Council shall maintain a statement of its Mission that shall be consistent with its Charter and any guidance from the Department regarding the Council’s expected contribution to the delivery of Government policy. The Council’s Mission is to be approved at the first Council meeting (see annex 5).



### Development of strategy and plans

22. In developing and implementing its Strategic and Delivery Plans (see section IV) the Council is expected to:
- employ mechanisms to ensure the high quality, sustainability, relevance and impact of the programmes of research that it funds;
  - provide a lead in ensuring that research training is closely related to the needs of potential employers and to develop the policies to supply people who are highly qualified in the arts and humanities within their specialisms in response to the needs of higher education, industry, the voluntary sector, the public service and the economy;
  - promote knowledge transfer across the whole range of its portfolio and, where appropriate, work with partners to provide support schemes;
  - enhance public awareness of the outcomes from and priorities for publicly funded research and engage in dialogue with the public on these and related issues.
23. The Council shall have regard to the policy that the Department and all the Research Councils are committed to the greatest possible economy, efficiency and effectiveness in the administration and management of programmes in order to minimise administrative and management costs and to maximise the funds available for research and postgraduate training.

### Objectives and key targets

24. The Department determines the Council's performance management framework in consultation with the Council. High-level objectives and where appropriate, high-level indicators and targets, will be agreed and set for the Council so that the benefits from investment of public funds by the Council can be tracked and reported (see section IV).

### Joint (OST/RCUK) Group for Strategy (Joint Strategy Group – "JSG")

25. The Council will work together with the OST and other members of the JSG: the DGRC, as chair, the other Council Chief Executives, the Head of Management Unit of OST/SEBG and by invitation the Chief Scientific Adviser, the Director General of Innovation and the Chief Executives of the Funding Councils; under the following terms of reference:

- to assist RCUK and OST in the development of strategy for research and science in the context of the wider Government science and innovation policy;
- to provide a means whereby RCUK can provide advice to Government from its own knowledge of its user community; and
- to discuss allocations to Research Councils and delivery of the Science Budget objectives.

### Research Councils UK

26. The Council will work together with the other Research Councils in partnership as Research Councils UK in support of the Government's overall aims for investment in arts and humanities research, science, technology and innovation. The mission and aims of Research Councils UK are shown at Annex 6. Research Councils UK, and its working groups led by the Executive Group of which all Council Chief Executives are members and one of their number elected annually is the Chair, has been set up to enhance the collective leadership and influence of the Research Councils and encourage cross-Council collaboration both at strategic and operational levels. In particular the Council as a member of Research Councils UK will:

- help to develop and maintain a Vision for Research to inform and underpin the activities of the Councils;
- contribute to its providing a focus for collective dialogue with Government and stakeholders, especially the universities, business, other major research funders and the EU;
- respond to opportunities offered by multi- trans- and inter-disciplinary research;
- support agreed plans for convergence in the ways in which Research Councils operate and interact with the research and training providers in the UK and increase administrative effectiveness.

## **III. RESPONSIBILITIES AND ACCOUNTABILITY**

### The Department

#### The Secretary of State

27. The Secretary of State is accountable to Parliament for the activities and performance of the Council. His/her responsibilities include:

- determining the policy and performance framework within which the Council will operate;

- approving the top level objectives, plans and funding allocations for the Science Budget which sets the context for the development of the Council's Strategic and Delivery Plans;
- keeping Parliament informed about the Council's performance;
- approving the amount of grant-in-aid/grant/other funds to be paid to the Council, and securing Parliamentary approval;
- making appointments to the Council's governing body, including that of the Chief Executive, in accordance with article 4 of the Council's Charter;
- carrying out the other responsibilities specified in the Council's Charter (Annex 2) and the Higher Education Act 2004.

### The Accounting Officer

28. The Principal Accounting Officer of the Department is accountable to Parliament for the issue of grant-in-aid to the Council. He/she is responsible to the Secretary of State for the allocation of the Department's resources and for the establishment of the conditions attached to the Council's funding. He/she designates the Chief Executive of the Council as the Council's Accounting Officer in a formal letter, and may withdraw the accounting officer designation if he/she believes that it is in the public interest to do so or if he/she concludes that the incumbent is no longer a fit person to carry out the responsibilities of an NDPB accounting officer.
29. The responsibilities of a department's Principal Accounting Officer are set out in more detail in the annex to Chapter 4 of Government Accounting.
30. In particular the Principal Accounting Officer of the Department shall ensure that:
  - the Council's Strategic and Delivery Plans support the ten year strategy, the Secretary of State's top level plans for the science budget, the Department's current science PSA and, in so far as they are relevant, any wider strategic aims;
  - the financial and other management controls applied by the Department to the Council are appropriate and sufficient to safeguard public funds and for ensuring that the Council's compliance with those controls is effectively monitored. ("Public funds" include not only any funds granted to the Council by Parliament but also any other funds generated by approved activities or otherwise falling within the stewardship of the Council);
  - the internal controls applied by the Council conform to the requirements of regularity, propriety and good financial management;

- grant-in-aid to the Council is within the ambit and the amount of the Request for Resources and that Parliamentary authority has been sought and given.

#### The Director General of Research Councils (“DGRC”)

31. The DGRC, in consultation as necessary with the Principal Accounting Officer, and supported by the sponsor team (paragraph 34), is the primary source of advice to the Secretary of State on the discharge of his/her responsibilities in respect of the Council, and the primary point of contact for the Council in dealing with the Department except where it has been agreed that the RCUK Executive Group and any of its working groups shall lead on an issue.
32. The DGRC is responsible for supporting the Secretary of State in securing the successful and high-quality operation of the Council in pursuit of its Charter objects and Mission and for advising the Secretary of State and the Principal Accounting Officer in pursuance of their responsibilities in respect of the Council. The functions of the DGRC, supported by the sponsor team include:
  - helping the Council set its Mission, Strategic Plan and Delivery Plan within the wider framework of Government support for the arts and humanities, science, innovation and technology;
  - advising the Secretary of State on the Council's activities, on the resources needed by the Council and on the distribution of the Science Budget;
  - advising the Secretary of State and the Principal Accounting Officer on matters concerning economy, effectiveness, efficiency and propriety in the use of the Science Budget;
  - monitoring the Council's financial position and receiving and acting on information provided by the Council under this Management Statement and Financial Memorandum;
  - ensuring that the Council has appropriate performance management and monitoring arrangements in respect of its Strategic and Delivery Plans and that it provides the Department with comprehensive reports on performance, including variances from expected performance and the reasons for this and remedial action taken, in a timely manner;
  - agreeing with the Council's Chair and Chief Executive the latter's objectives each year and chairing the remuneration committee, which considers the salary and performance bonus of the Chief Executive and makes recommendations to the Principal Accounting Officer;
  - ensuring that the Council's Chair and Chief Executive are briefed on all relevant policy developments and current issues;

- representing the Secretary of State at meetings of the Council's governing body from time to time;
  - chairing the Joint Strategy Group (paragraph 25). This group advises the Secretary of State on strategic matters relating to the Research Councils.
33. The DGRC may take whatever steps he/she considers necessary, working with the Chair, Chief Executive and other Council employees, to discharge these responsibilities.

The sponsor team ("the team")

34. Within the Department, the Science and Engineering Base Group is the sponsor team for the Council. The team shall carry out its duties under the direction of the DGRC. A member of the team, usually at Director level, shall be invited to attend all meetings of the Council's governing body as an observer and shall be sent the agenda and papers beforehand and shall receive a copy of the full minutes.
35. The team shall advise the DGRC and the Secretary of State and where appropriate provide feedback to the Council on:
- whether the Council's Strategic and Delivery Plans with their objectives and targets reflect the ten year strategy, the Secretary of State's top level plans for the science budget, the Department's current PSA and, in so far as they are relevant, any wider strategic aims;
  - an appropriate budget for the Council in the light of the most recent Science Budget settlement;
  - how well the Council is achieving its objectives, dealing with any significant variations from its plans and whether it is delivering its Mission and Charter Objects.
36. In support of the Principal Accounting Officer, the DGRC and the team shall:
- on performance and risk management (see also the 'Risk management' section of the Financial Memorandum, paragraph 12. on) -*
- monitor the Council's activities on a continuing basis through an adequate and timely flow of information from the Council on performance, budgeting, control and risk management, including, where these raise matters that are likely to have to be referred to the Department or raise concerns that the Principal Accounting Officer should be aware of, early sight of: the annual report of the Research Councils Internal Audit Service (RCIAS) or other appointed internal auditor to the Council, the Chief Executive's Statement on Internal Control and internal and external auditors' reports;

- require that the Council has a structured corporate governance process for assessing, mitigating and recording risk on a register and that a summary report on risk activity is sent to OST each quarter;
- reserve the right to attend Audit Committee meetings when performance and risk management matters that are giving cause for concern are to be considered;
- address in a timely manner any significant problems arising in the Council, whether financial or otherwise, strengthen monitoring arrangements accordingly; propose amendments to the Management Statement where necessary and make such appropriate interventions in the affairs of the Council as the Department judges necessary taking due care to consider the impact on the Council's corporate governance systems;

on communication with the Council (either Chair, members, Chief Executive or other employees as appropriate)–

- inform the Council of relevant Government policy in a timely manner; advise on the interpretation of that policy; and issue specific guidance to the Council as necessary;
- provide feedback to and raise concerns about the activities of the Council, and require explanations and assurances from the Council that appropriate action has been taken;
- ensure that the Council is provided with a timely considered response to its requests.

The Council

The governing body of Council members

37. The role of the Council is to pursue its Charter objects, acting within the terms of its Charter and any guidance and direction from the Department. The governing body should decide on all issues of major importance, principally issues of corporate strategy, key strategic objectives and targets, key decisions involving the direction of its support for the arts and humanities, advice to Government on important research issues within its field and the use of resources and personnel issues, including key appointments. Responsibility for implementing the Council's decisions is delegated to the Chief Executive who is the Accounting Officer of the Council (paragraph 48).
38. In accordance with Article 4 of the Charter, Council Members are appointed by the Secretary of State who sets their remuneration. Expenses are reimbursed in line with the Council's Expenses Code. The Council's governing body consists of a Chair (paragraph 41) Chief Executive and Deputy Chair and between 10 and 18 other members. It includes members from academia, industry and Government. At least half of the members are

appointed by reason of their qualifications in arts or humanities. Appointments are made in accordance with the Code of the Commissioner for Public Appointments. Council members should be able to reflect and express authoritatively the perspective and views of their research or user community or provide other relevant expertise while contributing corporately to the Council's successful pursuit of its Mission.

39. Council members as the governing body have corporate responsibility for ensuring that the Council fulfils the objects of its Charter taking account of the aims and objectives set by the Secretary of State, in particular the top level objectives for the Science Budget and objectives for the Council in the allocations booklet, and for promoting the efficient and effective use of staff and other resources by the Council. To this end, and in pursuit of its wider corporate responsibilities, and with the support of their staff as appropriate, and recognising the role of the Chief Executive as Accounting Officer, the Council members shall:

- advise on new opportunities in and for the arts and humanities, the direction of the Council's support for the arts and humanities research and user needs;
- establish, within the policy and resources framework determined by the Secretary of State: the Mission and Strategic Plan and approve the Delivery Plan of the Council, which together shall cover the strategy, disposition of resources and key performance indicators and targets in respect of the Council's programmes of support for research, training, knowledge transfer and public engagement with research in pursuit of its Royal Charter objectives;
- ensure that action is taken to inform the Secretary of State, the DGRC and the Sponsor Team as appropriate of: any changes which are likely to impact on the delivery of the Strategic and Delivery Plans of the Council, significant variances and remedial action taken in respect of those plans and the attainability of its performance indicators and targets. Then to ensure that the Chief Executive is arranging that the necessary steps are taken to deal with such changes, variances and remedial action or failure to meet performance indicators and targets;
- satisfy themselves that any statutory or administrative requirements for the use of public funds are complied with; that the Council operates within the limits of its Royal Charter and any delegated authority agreed with the Department, and in accordance with any other conditions relating to the use of public funds; and that, in reaching decisions, the Council takes into account guidance issued by the Department;
- require that the Council receives and reviews regular financial information concerning the management and performance of the AHRC, are informed in a timely manner about any concerns about the

activities of the AHRC and that positive assurance is given to the Department that appropriate action has been taken on such concerns;

- ensure both that the Council's views are reflected in the pursuit of the Research Councils UK objectives and that they are informed of the collective views of the Research Councils UK Executive Group and the conclusions of the Joint Strategy Group and any implications for the work of the Council (see also paragraph 50);
- maintain high standards of corporate governance at all times, including by making use of the independent audit committee (paragraph 72) to help them to address the key financial and other risks facing the Council.

40. Individual Council members shall act in accordance with their wider responsibility as Members of the Council to:

- comply at all times with the Code of Practice (paragraph 46) that is adopted by the Council and with the rules relating to the use of public funds and to conflicts of interest;
- not misuse information gained in the course of their public service for personal gain or for political profit, or seek to use the opportunity of public service to promote their private interests or those of connected persons or organisations;
- comply with the Council's rules on the acceptance of gifts and hospitality, and of business appointments;
- act in good faith and in the best interests of the Council.

#### The Chair of the Council

41. The Chair is appointed by the Secretary of State under article 4 of the Charter for an initial period of up to four years. The Chair is appointed in a part time, non-executive capacity and acts as custodian of the Council's Charter objects and Mission with overall responsibility for the governance and direction of the Council. The appointment is made in accordance with the Code of Practice issued by the Commissioner for Public Appointments and with the approval of the Prime Minister.

42. The Chair is formally responsible to the Secretary of State, but works closely with the DGRC, as the Secretary of State's principal adviser on Science Budget matters including the Research Councils, who should be his or her normal point of contact.

43. The Chair has a particular leadership responsibility on the following matters:



- ensuring that the Council contributes to the development of the Secretary of State's top level objectives for the Science Budget;
  - ensuring that the Council's own Strategic and Delivery Plans are fully in accord with the Secretary of State's agreed top level objectives for the Science Budget;
  - ensuring that the Council's governing body, in reaching decisions, takes proper account of any guidance that may be provided by the Department;
  - ensuring that the Council takes account of the views of all its stakeholders;
  - ensuring that the Council's governing body is provided with regular reports on the delivery of the Council's agreed Strategic Plan and Delivery Plan and related objectives and targets;
  - encouraging high standards of propriety and ensuring that the affairs of the Council's governing body, its committees and other sub-groups, are conducted with probity;
  - together with the Chief Executive:
    - (a) promoting the effective recruitment, retention and development of staff and efficient use of other resources;
    - (b) representing the views of the Council to the general public.
44. The Chair shall meet the Minister for Science together with the DGRC and Chief Executive annually to discuss the Council's strategy, priorities and delivery performance. He/she shall also meet regularly with the DGRC to ensure that he/she is informed of the Department's views on all relevant science and operational policy and other matters relating to the work of the Council and to give him/her the opportunity to brief the DGRC on Council matters within his/her responsibility;
45. With respect to appointments the Chair shall:
- advise the Secretary of State of the needs of the Council's governing body when vacancies arise, with a view to ensuring a proper balance of members from the academic and user communities and government and ensuring that there is an appropriate mix of skills and experience including in corporate governance and financial matters;
  - chair the Appointments Committee charged with recommending candidates for appointment as new members of the Council to the Secretary of State. The members of the Committee shall include a Director from the sponsor team and independent assessor membership

in accordance with the requirements of the Code of Practice of the Commissioner for Public Appointments;

- ensure that all members of the Council, when taking up office, are fully briefed on the terms of their appointment and on their duties, rights and responsibilities, and receive appropriate induction training, including on the financial management and reporting requirements of public sector bodies and on any differences which may exist between private and public sector practice;
  - in line with the Code of Practice of the Commissioner for Public Appointments and the Cabinet Office Guidance ‘Making and Managing Appointments’, regularly assess the performance of Council members and as necessary provide the Department with an assessment of their performance, for example when they are being considered for re-appointment to the Council.
46. The Chair shall also ensure that a Code of Practice for Council Members is maintained, based on the Cabinet Office’s model Code of Practice for Board Members of Public Bodies. The Code shall commit the Chair and other Council Members to the Nolan seven principles of public life, and shall include a requirement for a comprehensive and publicly available register of Council Members’ interests.
47. The Chair shall work with the DGRC to ensure that performance objectives are set for the Chief Executive for each year, the appointment term or other relevant period. The Chair shall contribute to in-year and final performance appraisal against those objectives.

#### The Chief Executive

48. The Chief Executive is a member and Deputy Chair of the Council’s governing body. Under the Charter his/her full title is ‘Chief Executive and Deputy Chair’. He/she is appointed by the Secretary of State for Trade and Industry under the terms of article 4 of the Council’s Royal Charter and is the Council’s most senior officer. The Chief Executive is responsible to the governing body for the overall direction and management of Council staff and other resources. The key roles are:
- to provide leadership both in relation to arts and humanities research and in the direction and management of the Council and to develop dialogue and partnerships with its research and user communities and related national and international organizations to inform the development of strategy;
  - to develop proposals for both the Strategic and Delivery Plans and to lead the implementation of a programme of work to deliver the Council’s agreed plans; and

- to act as the Accounting Officer for the Council responsible for the effective, safe and efficient operation of the Council, according to the objects in its Charter, guidance from the Department and the decisions of Council. This role is described more fully in Annex 7.
49. Communications between the Council and the Secretary of State and the DGRC shall, except for the annual meeting involving the Chair (paragraph 44), normally be through the Chief Executive. The Chief Executive shall ensure that the other Council members, particularly the Chair, are kept informed of such communications. The Chief Executive shall ensure that the information necessary for effective monitoring of performance under the Strategy and Delivery plans is supplied both to the governing body and to the DGRC and sponsor team in a timely manner. Any such information should highlight areas that are deviating from the original plans and give reasons for this and the remedial action taken.
  50. The Chief Executive is a member of the Joint Strategy Group (paragraph 25) and the Research Councils UK Executive Group (paragraph 26) where he/she is responsible for ensuring both that the Council's views are reflected in the pursuit of the Research Councils UK objectives and for ensuring that the Council is informed of the collective views of both groups and any implications for the work of the Council. This role also entails representing and promoting RCUK interests externally and championing major RCUK projects.
  51. The Chief Executive is accountable and responsible for the oversight of any research units, institutes or establishments controlled by the Council. This includes a responsibility to ensure proper maintenance of the infrastructure of these establishments. He/she is the line manager of the Directors and heads of all such entities and is responsible for assessing their performance on an annual basis.
  52. The Chief Executive's role as Consolidation Officer for Whole of Government Accounts is described and his/her role as Principal Officer for Ombudsman cases is described at Annex 8.
  53. The Chief Executive may delegate the day-to-day administration of his/her Accounting Officer and Consolidation Officer responsibilities to other employees of the Council. However, he/she shall not assign absolutely to any other person any of the responsibilities set out in his/her appointment letters, this document or the associated Financial Memorandum.

#### **IV. PLANNING, BUDGETING, CONTROL, PERFORMANCE MANAGEMENT AND INTERNAL AUDIT**

##### The Strategic Plan

54. The Strategic Plan sets out the strategic and scientific priorities of the Council covering typically six years ahead (see also paragraph 22). It should reflect the Department's Public Service Agreement target/s, the ten year strategy (paragraph 17), the top-level objectives of the Secretary of State for the science budget and consultation with stakeholders.
55. The Strategic Plan should respond to major changes of Government policy and objectives for the Science Budget. A new plan shall normally be prepared every two Spending Review periods or at such other interval as may be agreed with the sponsor team. The Council shall agree a timetable for its preparation with the team. The Council shall co-operate with relevant other Councils to allow for co-ordination in consultation with their stakeholders and alignment of initiatives and investments that run across Councils and co-ordinate its activities accordingly. Such objectives should however have regard to the ten year strategy.
56. The Council are free to set additional strategic objectives to those of the Secretary of State where these are appropriate to the delivery of their Charter objects and Mission in the longer term and might reasonably be expected to be within the future resources available to the Council. It is recognised that some aspects, particularly large facilities (paragraph 63), will require continuity of purpose beyond a single spending review and allocation of funding cycle and the intention is for high level objectives to reflect this.
57. The Chief Executive following consultation with the Chair, DGRC and sponsor team shall have agreed the issues to be addressed in the Strategic Plan in advance. These should include:
- the Council's objectives in its Royal Charter, its Mission and the policy context in which it operates including the RCUK partnership;
  - details of the Council's stakeholders and how their requirements are being addressed;
  - the Council's corporate objectives and strategies to achieve them with particular reference to its priorities for use of the science budget;

- critical factors bearing on the Council's success in achieving its objectives;
  - key issues including the use of resources (particularly large facilities (paragraph 63));
  - the ten year strategy (paragraph 17).
58. The Chief Executive shall as far as practicable consult with all the Councils stakeholders and take account of relevant other Research Council and international activities. The Chief Executive shall submit to the sponsor team a draft of the proposed new plan for the purposes of consultation with Ministers prior to publication and making it available on the internet.

### The Delivery Plan

59. The Department shall notify the Council of the timescale for the submission of a new Delivery Plan at the beginning of each Spending Review settlement allocation process. The Council shall submit to the Department a draft of the Council's Delivery Plan covering three years activities consistent with this timescale, and addressing any issues specified by the Department. The final version of the plan shall be agreed before the start of the first financial year of the new spending period. Where significant changes to the plan are proposed the revised version should be discussed with the Department.
60. The Delivery Plan should reflect:
- the Council's statutory duties and, within those duties the priorities set from time to time by the Secretary of State;
  - the ten year strategy (paragraph 17);
  - the Council's own strategy (paragraphs 39, 60);
  - the agreed post Spending Review PSA delivery strategy, demonstrating how the Council contributes to the achievement of the Department's research and innovation PSA target;
  - the science budget allocation to the Council.
61. The delivery plan shall set out:
- the Council's high level objectives and associated performance targets, as agreed with the DGRC, and its strategy for achieving them;
  - other matters as agreed between the Department and the Council.
62. Where cross-Council activity is planned the other Council/s should be mentioned and the plans and targets should be complementary.

63. Any programme that involves the construction or significant modification of large facilities (those that are or could be included in the Large Facilities Strategic Road Map) should have those aspects described. (See also paragraphs 38 to 44 of the Financial Memorandum)
64. The financial information should have regard to the specific requirements stated in the Financial Memorandum and any related guidance from the sponsor team.

#### Publication of plans

65. Subject to any commercial or other confidentiality considerations the Strategic and Delivery Plans and any revisions to them shall be published and made available on the internet.

#### Reporting performance to the Department

66. The Council shall operate management information and accounting systems which enable it to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in its agreed delivery plan.
67. The Council shall take the initiative in informing the Department of changes in external conditions which make the achievement of its objectives more or less difficult, or which may require a change to the budget or objectives set out in the delivery plan.
68. The Council's performance in helping to deliver the Secretary of State's policies, including the achievement of key objectives, shall be reported to the Department on a regular basis agreed with the sponsor team. Performance will be formally reviewed at agreed intervals by the sponsor team. At the end of each financial year the Council shall publish a report on its delivery performance for that year which shall be available on the internet.
69. The Council's performance against key targets shall be reported in the council's annual report and accounts (paragraph 78.).

#### Budgeting procedures

70. The budgeting procedures that the Council must comply with are set out in the Financial Memorandum.

#### Internal audit

71. The Council shall establish and maintain arrangements for internal audit in accordance with the Treasury's Government Internal Audit Standards (GIAS). The Council shall consult the Department to ensure that the latter is satisfied with the competence and qualifications of the Head of Internal Audit and the

requirements for approving appointment in accordance with GIAS paragraph 5.2.

72. The Council's governing body shall set up an independent audit committee as a committee of the Council in accordance with the Cabinet Office's Guidance on Codes of Practice for Public Bodies and the Treasury's Audit Committee guidance. The terms of reference of the committee shall be submitted to the sponsor team for approval.
73. The Council shall arrange for periodic quality reviews of its internal audit in accordance with the GIAS. The Department shall consider whether it can rely on these reviews to provide assurance on the quality of internal audit. The Department reserves a right of access to carry out independent reviews of internal audit in the Council.
74. The Department's Internal Audit Service shall also have a right of access, through the Council, to all documents prepared by the Council's internal auditor, including where the service is contracted out. The audit strategy, periodic audit plans and annual audit report, including the Council's Internal Auditor's opinion on risk management, control and governance shall be forwarded as soon as possible to the sponsor team who shall consult the Head of Internal Audit as appropriate.
75. The Council's Internal Auditors shall have access to all relevant records and will provide an annual report to the Council's Audit Committee, which the Council shall in turn provide to the sponsor team.
76. In addition, the Chief Executive shall forward to the sponsor team an annual report on fraud and theft suffered by the Council; notify any unusual or major incidents as soon as possible; and notify any changes to internal audit's terms of reference, the audit committee's terms of reference or the Council's Fraud Policy and Fraud Response Plan (see also paragraph 14. of the Financial Memorandum).

#### Additional Departmental access to the Council

77. In addition to the right of access referred to in paragraph 75 above, the sponsor team shall have a right of access to all the Council's records and personnel for purposes such as sponsorship audits or operational investigations.

## **V. EXTERNAL ACCOUNTABILITY**

### **The Annual Report and Accounts**

78. After the end of each financial year the Council shall, in accordance with the requirements of the Higher Education Act 2004 and the requirements referred to in the following sections, provide an annual report of its activities together with its audited annual accounts. The report shall also cover the activities of any corporate bodies under the control of the Council (including a reference, if relevant, to where the full report and accounts of the body/ies can be obtained). An early draft of the report shall be submitted to the sponsor team for comment. The final proposed report will be submitted for clearance by Ministers at least two weeks before the proposed laying and publication date.
79. The report and accounts shall comply with: the Cabinet Office document 'Next Steps Agencies, Trading Funds and Non-Departmental Public Bodies – Guidance on Annual Reports'; Treasury document 'Executive Non-Departmental Public Bodies: Annual Reports and Accounts Guidance', The Stationery Office's Official Publications Guidance and the reports and accounts guidance from the House of Commons Journal Office. The accounts shall be prepared in accordance with the relevant statutes and the Accounts Direction issued by the Department.
80. The report and accounts shall reflect delivery of the Council's objectives, including the Secretary of State's top level objectives for the Science Budget, and will outline the Council's main activities and performance during the previous financial year and set out in summary form the Council's forward plans. Information on performance against key financial targets shall be included in the notes to the accounts, and shall therefore be within the scope of the audit. The report and accounts shall refer to and complement the Delivery Plan Report (paragraph 68)
81. The report and accounts shall be published as a combined document and laid before Parliament before the summer recess or such other date as shall be agreed with the sponsor team, in accordance with the guidance on the procedures for presenting and laying the combined annual report and accounts as prescribed in Chapter 13 of the NDPB Annual Reports and Accounts Guidance. This guidance is updated every year.

### **External audit**

82. The Comptroller and Auditor General (C&AG) or a body appointed by him/her audits the Council's annual accounts (see paragraph 85). For the purpose of audit the C&AG has a statutory right of access to relevant documents as provided for in the Government Resources and Accounts Act 2000, including by virtue of any Order made under section 25(8) of that Act. (See also paragraph 50. of the Financial Memorandum).



83. The C&AG has agreed to consult the Department and the Council on who - the NAO or a commercial auditor - shall undertake the actual audit on his behalf. The final decision rests with the C&AG.
84. The C&AG has agreed to share with sponsor Departments information identified during the audit process and the audit report (together with any other outputs) at the end of the audit. The sponsor team shall ensure that any issues arising from the audit have already been discussed with the Council. The sharing shall apply, in particular, to issues which impact on the Department's responsibilities in relation to financial systems within the Council. The C&AG has also agreed, where asked, to provide Departments and other relevant bodies with Regulatory Compliance Reports and other similar reports which Departments may request at the commencement of the audit and which are compatible with the independent auditor's role.

#### Value for money (VFM) examinations

85. The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the Council has used its resources in discharging its functions. For the purpose of these examinations the C&AG has statutory access to documents as provided for under section 8 of the National Audit Act 1983. In addition, the Council shall provide, in conditions to grants and contracts, for the C&AG to exercise such access to documents held by grant recipients and contractors and sub-contractors as may be required for these examinations; and shall use its best endeavours to secure access for the C&AG to any other documents required by the C&AG which are held by other bodies.

## **VI. STAFF MANAGEMENT**

86. Within the arrangements approved by the Secretary of State and the Treasury and in accordance with its Royal Charter, the Council members shall, with the exception of the Chief Executive who is appointed on the order of the Secretary of State, have ultimate responsibility for the appointment of staff and their recruitment, retention and motivation. These responsibilities shall for the most part be exercised by the Chief Executive who shall ensure that:
  - the Council's rules for the recruitment and management of staff create an inclusive culture in which diversity is fully valued and where appointment and advancement is based on merit;
  - the level and structure of the Council's staffing, including grading and numbers of staff, is appropriate to its functions and the requirements of effectiveness, efficiency, flexibility and economy;
  - the agreement of the sponsor team is sought for the creation of any additional posts at the most senior management level (band 1), but not including new appointments to staff below Director level or individual

merit promotions for staff, and shall provide JESP and/or JEGS or other agreed assessment evidence and evidence as to the overall disposition of band 1 staff and their immediate reports, that the requirement for and grading of the proposed post is justified;

- the terms of the delegated authority over pay and grading for staff are observed;
- the Council submits its proposed annual pay remit and any allied changes in conditions of service and grading arrangements to the sponsor team and the Department's Pay Policy Section for approval by the Secretary of State before any formal negotiations take place;
- the pension and compensation (in respect of redundancy or compulsory early retirement) arrangements for Council staff shall be subject to approval by the Department and to Treasury and Cabinet Office consent;
- the performance of staff at all levels is effectively assessed and appropriate development plans are put in place, these performance measurement systems being reviewed from time to time;
- proper consultation with staff takes place on key issues affecting them;
- adequate grievance and disciplinary procedures are in place;
- whistle blowing procedures consistent with the Public Interest Disclosure Act are in place;
- a code of conduct for staff is in place based on the Cabinet Office document *Model Code for Staff of Executive Non-Departmental Public Bodies*;
- staff are encouraged to acquire the appropriate professional, management and other expertise necessary to achieve the Council's objectives.

#### Pay and conditions of service

87. The staff of the Council, whether on permanent or temporary contract, shall be subject to levels of remuneration and terms and conditions of service (including superannuation) approved by the Secretary of State. The Council has delegated authority over pay terms and conditions within the terms of the authority granted by the Secretary of State.
88. The Council is required to operate a staff code, which sets out the terms and conditions for the staff of the Council. The Council shall provide OST on request with a current copy of the code.

89. The Council shall operate a performance-related pay scheme, which shall form part of the general pay structure approved by the Secretary of State and the Treasury.

Pensions; redundancy/compensation

90. The Council 's staff shall normally be eligible for a pension provided by:
- the PCSPS (Principle Civil Service Pension Scheme). The Council shall pay an actuarially assessed employer's contribution to the scheme based on its current payroll. Employees may also pay a contribution. The balance of funding shall be provided by OST grant-in-aid; or
  - a Partnership Pension Account which is also available to new staff based on the portable Stakeholder pension. This is a defined contribution scheme.
91. Staff may opt out of the occupational pension scheme provided by the Council. However, the employer's contribution to any personal pension arrangement, including a stakeholder pension, shall normally be limited to the national insurance rebate level.
92. The Council's staff are also eligible for redundancy/compensation. These shall be on terms determined by the Council with the approval of the Department. Proposed severance payments must comply with DAO(GEN) 04/02. Redundancy and injury benefits are outside the scope of the PCSPS and are provided under separate staff agreements funded and accounted for by the Council.
93. Any proposal by the Council to move from the principles of the existing pension, redundancy and compensation arrangements, requires the approval of the Department.

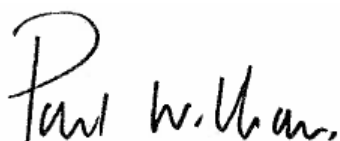
## **VII. REVIEWING THE ROLE OF THE COUNCIL**

94. The Council shall be reviewed in line with the Department's overall review programme for NDPB's.

Signature

Date

30<sup>th</sup> March 2005



.....  
PAUL WILLIAMS

Director, Research Councils, Science and Engineering Base Group, Office of Science and Technology (on behalf of the Secretary of State).

Signature

Date

1<sup>st</sup> April 2005



.....  
FRANCES MARSDEN

INTERIM CHIEF EXECUTIVE OF THE ARTS AND HUMANITIES RESEARCH COUNCIL (on behalf of the Council and as Accounting Officer).

## Annex 1

### **Glossary of terms**

***The Act*** – the Higher Education Act 2004

***The Allocations Booklet*** – the booklet which gives an account of the Government’s plans for the Science Budget following a Spending Review

***Annual Report and Accounts*** – the combined Report and Accounts of the Council produced each year to meet the requirement of Section 2 (2) of the Act and the Treasury guidance.

***Arts and humanities research base*** – the arts and humanities research and postgraduate training capacity of higher education institutions and analogous organizations in the UK.

***C&AG*** – Comptroller and Auditor General and Head of the NAO

***Chair*** – the Chair of the Council

***The Charter*** – the Royal Charter of the Council

***The Chief Executive*** – the Chief Executive of the Council

***The Council*** – the Arts and Humanities Research Council, being the Royal Charter incorporated body, its members and appointed officers and other employees for the time being

***The Council’s Accounting Officer*** – the Chief Executive of the Council

***The Council Strategic Plan*** – the current strategy document of the Council

***The Delivery Unit*** – the Prime Minister’s Delivery Unit located in No 10 Downing Street

***DGRC*** – the Director General of Research Councils

***The Department*** – the Department of Trade and Industry

***Large Facilities Strategic Road Map*** - see paragraph 43. of the Financial Memorandum.

***Mission*** – the Mission Statement of the Council reflecting its Charter objects

***NAO*** – the National Audit Office

***The Delivery Plan*** – the Council’s plans and targets in respect of delivery of its objectives in the current year

***The Delivery Report*** – the Council’s report on its delivery of its previous year’s Delivery Plan

***OST*** – the Office of Science and Technology

***The Permanent Secretary*** – the Permanent Secretary of the Department of Trade and Industry

***The Principal Accounting Officer*** – the Permanent Secretary

***PSA target*** – one of the public service agreement targets that the Department has agreed with the Treasury and the Delivery Unit.

***Research Councils UK*** – a partnership comprising the Council and the other Research Councils

***RCUK Executive Group*** – the group that leads the Research Councils UK partnership.

***Strategy Group for RCUK*** – the group that advises the Secretary of State on strategic matters in relation to the Research Councils.

***The Science Budget*** – the vote of funds to the Department to fund science

***Science Budget Strategic Objectives*** – the Secretary of State’s top level objectives for the Science Budget

***Scientific staff*** – those staff who are engaged in scientific research (not those who are scientifically qualified but who are no longer directly involved with research).

***SEBG*** – the Science and Engineering Base Group in the OST

***Secretary of State*** – the Secretary of State for Trade and Industry

***Spending Review*** – the bi-annual process through which the Government decides on the allocation of funding including to the Science Budget

***The sponsor team/the team*** – the staff within SEBG dealing with sponsorship of the Council

## Annex 2

### ARTS AND HUMANITIES RESEARCH COUNCIL (AHRC) – ROYAL CHARTER

ELIZABETH THE SECOND by the Grace of God of the United Kingdom of Great Britain and Northern Ireland and of Our other Realms and Territories Queen, Head of the Commonwealth, Defender of the Faith:

TO ALL TO WHOM THESE PRESENTS SHALL COME, GREETING!

WHEREAS it has been represented unto Us that it is expedient for the better execution of the purposes of the Higher Education Act 2004 to make further provision for promoting arts and humanities research:

AND WHEREAS Our Secretary of State has appointed and proposes to appoint a Chair and Chief Executive and other members of a Council for promoting and supporting research into the arts and humanities to be known as the Arts and Humanities Research Council:

AND WHEREAS it has been represented unto Us that for the purpose of carrying out the Council's objects and with a view to facilitating the holding of and dealing with property and encouraging the making of gifts and bequests in aid of those objects it is expedient that the Council should be incorporated:

NOW THEREFORE Know Ye that We, by virtue of Our Prerogative Royal and of all other powers enabling Us so to do, have of Our especial grace, certain knowledge and mere motion granted and declared and do by these Presents for Us, Our Heirs and Successors, grant and declare as follows:

1. All such persons as may hereafter become the Chair, the Chief Executive and Deputy Chair and other members of the body corporate hereby constituted, shall for ever hereafter (so long as they continue to be members of the Council) be one body corporate under the name of "The Arts and Humanities Research Council" ("the Council"), and by the same name shall have perpetual succession and a Common Seal, with power to break, alter and make anew that Seal from time to time at their will and pleasure and by the same name shall and may sue and be sued in all courts and in all manner of actions and suits, and shall have power to enter into contracts, to acquire, hold and dispose of property of any kind, to accept trusts and generally to do all matters and things incidental or appertaining to a body corporate.
2. (1) The objects for which the Council is established and incorporated are:

- (a) to promote and support by any means high-quality basic, strategic and applied research and related post-graduate training in the arts and humanities;
  - (b) to advance knowledge and understanding of the arts and humanities (including promoting and supporting the exploitation of research outcomes and research relating to cultural aspects of the different parts of Our United Kingdom) and provide trained personnel who meet the needs of their users and beneficiaries, and thereby to contribute to the economic competitiveness of Our United Kingdom and effectiveness of public services and policy, and to enhance the quality of life and creative output of the nation; and
  - (c) in relation to the activities as engaged in by the Council under (a) and (b) above and in such manner as the Council may see fit to:
    - (i) generate public awareness;
    - (ii) communicate research outcomes;
    - (iii) encourage public engagement and dialogue;
    - (iv) disseminate knowledge; and
    - (v) provide advice.
- (2) The Council may pursue its objects in Our United Kingdom of Great Britain and Northern Ireland or elsewhere.
- (3) Without prejudice to the fulfilment of the objects for which the Council is established and incorporated, in pursuing its objects, it shall use its best endeavours to identify and pursue opportunities for mutually beneficial joint working with any one or more of the other Research Councils.
3. All moneys and property of the Council, including any moneys voted by Parliament, shall be applied solely towards the promotion of the objects of the Council and no portion thereof (except as otherwise provided in this Our Charter) shall be paid or transferred directly or indirectly to its members.
4. (1) The Council shall consist of a Chair, a Chief Executive and Deputy Chair, and from ten to eighteen other members, at least half of whom shall be appointed by reason of their qualifications in the arts and humanities.
- (2) Subject to the provisions of paragraph (3) of this Article, Our Secretary of State shall appoint the Chair, the Chief Executive and Deputy Chair, and other members and shall determine the terms of their appointment or the revocation of any such appointment.



- (3) (a) Before appointing any member, including the Chair and the Chief Executive and Deputy Chair, on account of his qualifications in the arts and humanities, the Secretary of State shall consult the President for the time being of the British Academy on such qualifications.
  - (b) Before appointing any member, including the Chair and the Chief Executive and Deputy Chair, Our Secretary of State shall consult the Chair for the time being of the Council, who may consult other members of the Council.
- (4) Every member, including the Chair and the Chief Executive and Deputy Chair, shall hold and vacate his office solely in accordance with the terms of his appointment, and shall, on the expiry of his appointment, be eligible for re-appointment for a term of no more than four years but:
- (a) a member who is re-appointed shall, on ceasing to be a member, be ineligible for re-appointment before the expiration of one year from the end of the period for which he is re-appointed: but this sub-paragraph shall not apply to a person appointed to serve as Chair or Chief Executive and Deputy Chair or to a person who is a civil servant or employed by a Research Council;
  - (b) a member may at any time resign from the Council by giving written notice to Our Secretary of State; and
  - (c) any member who is also employed as a civil servant or by a Research Council shall hold his office only so long as he is so employed.
- (5) Except as provided in paragraph (7) of this Article, the Council shall in the case of any such member as Our Secretary of State may determine:
- (a) pay him such remuneration and allowances as may be so determined in his case; and
  - (b) pay him or in respect of him such pension, allowance or gratuity on his retirement or death, or make such payments towards provision for such a pension, allowance or gratuity, as may be so determined in his case.
- (6) If a person ceases to be a member of the Council otherwise than on the expiration of his term of office, and Our Secretary of State considers there are special circumstances for making that person a compensation payment, the Council shall pay him such amount as Our Secretary of State may determine.

- (7) The Council shall never make to or in respect of any person in his capacity as a member of the Council any payment for or in respect of any period when he is also a member of the House of Commons, the Scottish Parliament, the National Assembly for Wales or the Northern Ireland Assembly (when so constituted), other than a payment by way of reimbursement to him of actual out of pocket expenses previously and necessarily incurred by him in the performance of his duties as a member of the Council.
- (8) Paragraphs (5) and (6) of this Article shall not apply to a member who is a civil servant.
5. (1) The Council may act notwithstanding a vacancy among its members and the validity of any proceedings of the Council shall not be affected by any defect in the appointment of any member.
- (2) The quorum of the Council shall be six members personally present or such greater number as the Council may from time to time determine.
6. Subject to the provisions of this Our Charter the Council may regulate its own procedure.
7. (1) The Council may appoint Committees to exercise, or advise it on the exercise of, any of its functions and may:
- (a) appoint to any such Committee persons who are not members of the Council; and
- (b) revoke the appointment of any member of any such Committee.
- (2) Where the Council appoints to any such Committee any person who is not a member of the Council it may, with the approval of Our Secretary of State, pay him such remuneration and allowances as may be so determined in his case, and Article 4(7) of this Our Charter shall apply to him as though he were a member of the Council.
8. (1) The Council may appoint such officers and employ such other persons as it may determine.
- (2) The Council may:

- (a) pay its officers and employees such remuneration and allowances as it may, with the approval of Our Secretary of State, from time to time determine; and
  - (b) pay to or in respect of any officers or other employees of the Council or of any institution or department of an institution which is supported by the Council by grants made under Article 2(1)(a) of this Our Charter, in whose case it may be determined by the Council with the approval of Our Secretary of State so to do, such pensions and other benefits or compensation (including gratuities), or provide and maintain for them such pension, benefit or compensation schemes (whether contributory or not) as may be so determined.
- (3) Where the holder of an office or employment, whether with the Council or with institutions or departments of institutions which it supports by the making of grants under Article 2(1) of this Our Charter, who is a participant in any pension, benefit or compensation scheme applicable to the office or employment, is or becomes a member of the Council, he may be treated for the purposes of such scheme as if his service as a member of the Council were service in an office or employment with the Council, and his rights under the scheme shall not be affected by any provision of this Our Charter which requires that pensions, allowances, gratuities, benefits, compensation or payment towards the provision of them payable in the case of members of the Council shall be determined by Our Secretary of State.
9. The application of the Seal of the Council shall be authenticated by the signature of the Chair, or of some other Council member whom it has authorised generally or especially to act for that purpose, and of any officer of the Council whom it has so authorised.
10. The Council may by resolution in that behalf passed at a meeting by a majority of not less than three-quarters of the members present and voting (being an absolute majority of the whole number of Council members) add to, amend or revoke any of the provisions of this Our Charter, and such addition, amendment or revocation, shall, when allowed by Us, Our Heirs or Successors in Council, become effectual, so that this Our Charter shall then continue and operate as though it had been originally granted and made accordingly: and this provision shall apply to this Our Charter, as added to, amended or revoked in the manner aforesaid.
11. In this Our Charter, references to Our Secretary of State are to Our Secretary of State for Trade and Industry, references to Research Councils are to Research Councils within the meaning of the

Science and Technology Act 1965 and Higher Education Act 2004,  
and words importing the masculine gender shall include the  
feminine and words importing the singular shall include the plural.

IN WITNESS whereof We have caused these Our Letters to be made Patent.

BY WARRANT UNDER THE QUEEN'S SIGN MANUAL

## **Annex 3**

### **Subsidiaries**

The Council does not have any subsidiaries or joint ventures that are classified to the public sector for national accounts purposes or any charities or other bodies which are effectively controlled by the Council.

## **Annex 4**

### **Extract from the DTI Public Service Agreement targets for 2005-2008**

**PSA 2:** Improve the relative international performance of the UK research base and increase the overall innovation performance of the UK economy, making continued progress to 2008, including through effective knowledge transfer amongst universities, research institutions and business.

#### Notes

This target will be reviewed as part of each Spending Review. Any new target will supersede this one once the period to which it relates commences.

The PSA target is reflected in the science budget strategic objectives which are set out in the 'Science Budget' for the relevant period.

## **Annex 5**

### **The Mission of the AHRC**

The following mission of the AHRC is subject to approval by Council on 1 April 2005.

The Arts and Humanities Research Council aims to:

- Support and promote high-quality and innovative research in the arts and humanities.
- Support, through programmes in the arts and humanities, the development of skilled people for academic, professional and other employment.
- Promote awareness of the importance of arts and humanities research and its role in understanding ourselves, our society, our past and our future, and the world in which we live.
- Ensure that the knowledge and understanding generated by arts and humanities research is widely disseminated for the economic, social and cultural benefit of the UK and beyond.
- Contribute to the shaping of national policy in relation to the arts and humanities.

## **Annex 6**

### **RESEARCH COUNCILS UK – MISSION AND AIMS**

#### **What RCUK is**

1. Research Councils UK (RCUK) is a strategic partnership between the eight UK Research Councils. RCUK operates UK-wide and its interests run across all the sciences, engineering, technology, social sciences and the arts and humanities. Through RCUK, the Research Councils are working together to enhance the overall impact and effectiveness of their research, training and knowledge transfer activities. In doing this, RCUK works alongside other funders and OST to support the excellent researchers in the UK science base. It is also revitalising its interface with those in business and the public sector, who will make use of this work in due course, so that RCUK can deliver the best possible investments for the economy and society.

#### **RCUK Mission/Vision statement**

2. RCUK's mission is to optimise the ways that Research Councils work together to deliver their goals, to enhance the overall performance and impact of UK research, training and knowledge transfer and to be recognised by academia, business and government for excellence in research sponsorship.

#### **Aims of RCUK**

3. The overall aim of RCUK is for the success of the UK Research Councils, the impact they have and the ways they work to be recognised around the world.
4. RCUK aims specifically:
  - to increase the collective visibility, leadership and influence of the Research Councils for the benefit of the UK;
  - to provide a framework within which the overall portfolio of research supported by the research councils can be shaped to maximise the excellence and impact of UK research, and help to ensure that the UK gets the best value for money from its investment;
  - to ensure joined up operations between the Research Councils wherever that is appropriate to achieve its goals and to improve services to the communities it sponsors and works with.



**RCUK will:**

- Develop and communicate frameworks and strategies that are of value to stakeholders in describing Research Council activities, demonstrating where and how they are delivering and engaging them positively in their implementation;
- Be pro-active in influencing the future direction and shape of the UK and international research base;
- Provide an effective focus for collective, strategic dialogue between the Research Councils, and between the Councils and their stakeholders, especially universities, business, other major funders and the EU;
- Provide, on key issues, an effective common point of access to Research Councils for outside organisations, stakeholders and others;
- Embed joint working amongst the Research Councils in terms of adopting common processes and integrated operations through a defined programme of activities.

## **Annex 7**

### **The Chief Executive's role as Accounting Officer**

1. The Chief Executive of the Council is designated as the Council's Accounting Officer by the Principal Accounting Officer of the Department.
2. The Accounting Officer of the Council is personally responsible for safeguarding the public funds for which he/she has charge; for ensuring propriety and regularity in the handling of those public funds; and for the day-to-day operations and management of the Council.
3. As Accounting Officer the Chief Executive shall exercise the following responsibilities in particular:

#### on planning and monitoring -

- establish, in agreement with the Council and the Department, the Council's Strategic and Delivery Plans in the light of the Secretary of State's top level objectives for the Science Budget, the Department's current PSA and any relevant wider strategic aims;
- in conformance with the requirements agreed with the DGRC and the sponsor team, to inform the Department of the Council's progress in delivering those strategic and Delivery plans and in demonstrating how resources are being used to achieve the agreed objectives;
- ensure that timely forecasts and monitoring information on performance and finance are provided to the sponsor team; that the sponsor team is notified promptly if overspends or underspends are likely and that corrective action is taken; and that any significant problems, whether financial or otherwise, and whether detected by internal audit or by other means, are notified to the sponsor team in a timely fashion;

#### on advising the Council -

- advise the Council on the discharge of its responsibilities as set out in this document, in the Charter, [in the allocations booklet, in the post spending review allocations of funds letter] and in any other relevant instructions and guidance that may be issued from time to time;
- advise the Council on its performance compared with its Strategic and Delivery Plans;
- ensure that financial considerations are taken fully into account by the Council at all stages in reaching and executing its decisions, and that

standard financial appraisal techniques are followed as far as this is practical;

- take action as set out in paragraphs 14-18 of the NDPB Accounting Officer Memorandum if the Council, or its Chair, is contemplating a course of action involving a transaction which the Chief Executive considers would infringe the requirements of propriety or regularity or does not represent prudent or economical administration or efficiency or effectiveness;

on managing risk and resources (see also the 'Risk Management section of the Financial Memorandum, paragraph 12) -

- ensure that a system of risk management is maintained to inform decisions on financial and operational planning and to assist in achieving objectives and targets;
- ensure that an effective system of programme and project management and contract management is maintained;
- ensure that all public funds made available to the Council [including any approved income or other receipts] are used for the purpose intended by Parliament, and that such moneys, together with the Council's assets, equipment and staff, are used economically, efficiently and effectively;
- ensure that adequate internal management and financial controls are maintained by the Council, including effective measures against fraud and theft;
- maintain a comprehensive system of internal delegated authorities which are notified to all staff, together with a system for regularly reviewing compliance with these delegations;
- ensure that effective personnel management policies are maintained;

on accounting for the NDPB's activities -

- sign the accounts and be responsible for ensuring that proper records are kept relating to the accounts and that the accounts are properly prepared and presented in accordance with any directions issued by the Secretary of State;
- sign a Statement of Accounting Officer's responsibilities, for inclusion in the annual report and accounts;
- sign a Statement on Internal Control regarding the Council's system of internal control, for inclusion in the annual report and accounts;

- ensure that effective procedures for handling complaints about the Council are established and made widely known within the Council and with its stakeholders and customers;
  - act in accordance with the terms of this document and with the instructions and guidance in *Government Accounting* and other instructions and guidance issued from time to time by the Department, the Treasury and the Cabinet Office - in particular, the Treasury documents *The Responsibilities of an NDPB Accounting Officer* and *Regularity and Propriety*, both of which the Chief Executive shall receive on appointment. The attached Financial Memorandum refers to other key guidance at paragraph 79;
  - give evidence, normally with the Principal Accounting Officer, when summoned to appear before the Committee of Public Accounts on the use and stewardship of public funds by the Council.
4. The Chief Executive shall comply with any applicable recommendations made by the Committee of Public Accounts or other Parliamentary authorities as accepted by HM Government and with such administrative and financial practices applicable to expenditure of public funds as the Secretary of State requires.

## **Annex 8**

### **The Chief Executive's role as Consolidation Officer**

1. For the purposes of Whole of Government Accounts the Chief Executive of an NDPB is normally appointed by the Treasury as the NDPB's Consolidation Officer.
2. As the Council's Consolidation Officer, the Chief Executive shall be personally responsible for preparing the consolidation information that sets out the financial results and position of the Council, for arranging for its audit and for sending the information and the audit report to the Principal Consolidation Officer nominated by the Treasury.
3. As Consolidation Officer the Chief Executive shall comply with the requirements of the Consolidation Officer Memorandum and shall, in particular:
  - ensure that the Council has in place and maintains sets of accounting records that will provide the necessary information for the consolidation process;
  - prepare the consolidation information (including the relevant accounting and disclosure requirements and all relevant consolidation adjustments) in accordance with the consolidation instructions and directions ["Dear Consolidation Officer" (DCO) and "Dear Consolidation Manager" (DCM) letters] issued by the Treasury on the form, manner and timetable for the delivery of such information.

### **The Chief Executive's role as Principal Officer for Ombudsman cases**

4. The Chief Executive is the Principal Officer for handling cases involving the Parliamentary Commissioner for Administration. As Principal Officer he/she shall inform the Permanent Secretary of any complaints about the Council accepted by the Ombudsman for investigation, that have not been routed to the Council via the Permanent Secretary, and about the Council's proposed response to any subsequent recommendations from the Parliamentary Ombudsman.

## **ANNEX 9**

### **REFERENCE TO THE OST BY THE COUNCIL**

1. Required references include:
  - matters in which the Ministers have declared an interest;
  - matters which formally commit a Minister or the Government;
  - matters which require Ministerial reference to Parliament (eg proposals implying amendment to the Science and Technology Act 1965);
  - any question regarding the interpretation of this document (paragraph 8)
  - early sight of the internal audit report (paragraphs 36,71)
  - any changes which are likely to impact of the delivery of the Strategic and Delivery Plans (paragraph 39)
  - proposals to fill Council vacancies (paragraph 45)
  - the timing of and issues to be addressed in the strategic and delivery plans (paragraphs 55, 57, 59)
  - any changes in external conditions which make the achievement of objectives more difficult and which may impact on its budget of the delivery plan (paragraph 67)
  - regular reports on the achievement of its objectives (paragraph 68)
  - capital investment projects requiring expenditure from Science Budget funds that exceed the limit in the Financial Memorandum (joint reference with any other Research Councils involved required).
  - other expenditure proposals which exceed the limits of delegated authority (set out in the Financial Memorandum at appendix A);
  - the head of internal audit (paragraph 71) and the terms of reference for the Council's Audit Committee (paragraph 72);
  - the annual report to the audit committee (paragraph 75) and an annual report on fraud and theft (paragraph 76).
  - An early draft of the annual report (paragraph 78)
  - carry forward of grant in aid above the limits described in paragraphs 23 and 24 of the Financial Memorandum;
  - proposed indemnities, other contingent liabilities other than in the normal course of business, and insurance undertakings, see paragraphs 46 and 62 of the Financial Memorandum;
  - issues of propriety and other matters involving deviations from the guidance in Government Accounting;
  - the creation of certain posts (paragraph 86);
  - the award of PFI contracts;
  - variations or modifications to pay, grading or conditions of service judged to be at variance with approved arrangements.
  
2. There will be other instances where, for the smooth and effective working of the partnership between the OST and the Council, the OST needs to be aware of a course of action the Council proposes taking or where, notwithstanding

delegated authority, it would be advisable for the Council to consult or seek the OST's agreement to the proposed action. It is for the Council to decide whether to make reference to OST and the basis (prior information or approval/agreement) on which the reference is to be made. The Council will have, however, proper regard to the importance of the OST having ample forewarning of sensitive issues and to the following indications of interest:

- contentious or politically sensitive matters and matters for Ministerial resolution;
- expenditure which is novel, contentious or politically sensitive;
- major departures from agreed policy or significant interactions or variances with other departmental policies (eg education, foreign policy);
- matters meriting or requiring the OST's involvement in their public presentation;
- major points of interpretation of central advice or guidance (eg investment appraisal);
- unusual levels of expenditure (in excess of 3% of gross annual expenditure) entailing significant commitment beyond the planning period, with a substantial element of financial risk or giving rise to wider expenses beyond immediate costs;
- assessment of risks or threats to systems which are crucial to the operations of the Council;
- matters which involve significant expenditure abroad or in foreign currency;
- proposals for capital projects to be implemented through PFI;
- matters where action is being taken against the Council in the Civil or Criminal Courts.