

## **THE BABRAHAM INSTITUTE**

### **REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2016**

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The trustees are pleased to present their annual directors' report together with the consolidated financial statements of the charity and its subsidiaries for the year ending 31 March 2016 which are also prepared to meet the requirements for a directors' report and accounts for Companies Act purposes.

The financial statements comply with the Charities Act 2011, the Companies Act 2006, the Memorandum and Articles of Association, and Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (effective 1 January 2015).

#### **REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITY, ITS TRUSTEES AND ADVISORS**

##### **LEGAL STATUS**

The Trustees, who are the trustees of the charity and directors of the charitable company the "Babraham Institute" ("BI") (registered charity in England and Wales number 1053902; a company limited by guarantee, registered in England and Wales number 3011737), present their report together with the audited financial statements for the year ended 31 March 2016. The charity is governed by a Memorandum and Articles of Association adopted 24 June 2011, and its Institute Grant Agreement with the Biotechnology and Biological Sciences Research Council (BBSRC) by whom it is strategically funded.

The charity has two trading subsidiaries: Babraham Bioscience Technologies Limited (BBT) (Registered in England and Wales number 3241492) and Babraham Institute Enterprise Limited (BIE) (Registered in England and Wales number 6331858).

BIE holds 90% of the share capital of Aitua Limited (Registered in England and Wales number 4548076) and 50% of Discerna Limited (Registered in England and Wales number 4144764). Aitua Limited in turn owns the remaining 50% of Discerna Limited, giving the group an overall holding of 95%.

##### **PRINCIPAL ACTIVITY**

The principal activity of the group and the charitable company, as set out in the Memorandum and Articles of Association, is education, through undertaking research; the dissemination of the results of such research for the public benefit and the training of research scientists. The charitable company aims to be the UK's premier research institute for work on cell function (understanding cellular and genomic networks associated with mammalian ageing from the point of conception) applicable to life-long health and wellbeing.

The principal activities of BBT focus on supporting early stage companies and growing biomedical enterprises. This is delivered through the provision of specialised office and laboratory accommodation, access to scientific expertise and equipment, and to support a research-centric community helping translate early stage science into products and services.

BBT operates from within the Babraham Research Campus, for which it also has management and development responsibilities to ensure the campus provides both the buildings and communal environment to benefit all the organisations across the campus.

BIE, Aitua and Discerna support the commercialisation of the Institute's science, and has responsibility for managing and commercialising the Institute's intellectual property portfolio.

#### **STRUCTURE, MANAGEMENT AND GOVERNANCE**

##### **BOARD OF TRUSTEES**

Up to and including the year ended 31 March 2016, the Board of Trustees consisted of up to twelve individuals who acted as trustees and directors and are all guarantors of the charitable company, of an amount not exceeding £1, during the period of their appointment and for a year after resignation. Membership of the charity consists of two Trustee Members (ex officio the Chair of the Board of Trustees and the Chair of the Audit Committee) and one Corporate Member, the Biotechnology and Biological Sciences Research Council (BBSRC). Vacant trustee positions are advertised nationally, in appropriate newspapers or technical journals.

## THE BABRAHAM INSTITUTE

### REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2016

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#### BOARD OF TRUSTEES (CONTINUED)

A shortlist is compiled after review of submitted applications and shortlisted candidates are interviewed by at least the Chairman and Company Secretary. Following interviews, new trustees are appointed by the interviewing trustees with delegated authority from the Board. Trustees are appointed for a period of up to four years from the date of appointment (usually three) and are eligible for re-appointment at the end of their term. None of the Board of Trustees holds any interest in the shares of any of the subsidiary companies.

Trustees are provided with an induction pack containing key information about the Institute, and are offered training in trusteeship by one of the recognised training providers in this area. Most trustees also take the opportunity to visit the Institute and meet with its staff, outside of a formal Board of Trustees meeting.

The following were members of the Board of Trustees during the year:

Professor P Rigby  
Professor D Cantrell  
Mr A Clare #  
Professor A Ferguson-Smith  
Mr G Hope-Terry #  
Dr P Johnson  
Professor D Kipling  
Professor L Lian - resigned 31 December 2015  
Professor C Page  
Dr A Watt

# Denotes members of the Audit Committee as at 31 March 2016.

Separate Audit Committees operated during the year for the Institute and BBT; however a joint audit committee is convened annually to ensure proper scrutiny of Group (Institute plus BBT) finances and operations and as such incorporates some of the functions of a Finance and General Purposes Committee, although most of such functions are carried out by the Board itself.

The Board delegates the day to day running of the Institute to the senior management team led by Michael Wakelam. The Company Secretary is Mr Simon Jones. The Finance Officer is Mr Andy Hunt. The CEO of BBT Ltd, one of the Institute's trading subsidiaries, Mr Derek Jones, is employed on a BBT contract. The Institute has a wholly owned subsidiary, Babraham Institute Enterprise Limited (BIE) which is used to manage the intellectual property of the Institute. In practical terms, BIE is managed as part of the Institute by the senior management team.

#### TRUSTEES' RESPONSIBILITIES STATEMENT

The charity trustees (who are also directors of The Babraham Institute for the purposes of company law) are responsible for preparing a trustees' annual report and financial statements in accordance with applicable law and regulations.

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland. Under company law the trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group for that period.

## THE BABRAHAM INSTITUTE

### REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2016

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#### TRUSTEES' RESPONSIBILITIES STATEMENT (CONTINUED)

In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in business.

The trustees are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the charity and to enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charity and the group and hence taking reasonable steps for the prevention and detection of fraud and other irregularities.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the charitable company's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In so far as the trustees are aware at the time of approving our trustees' annual report:

- there is no relevant information, being information needed by the auditor in connection with preparing their report, of which the group's auditor is unaware, and
- the trustees, having made enquiries of fellow directors and the group's auditor that they ought to have individually taken, have each taken all steps that he/she is obliged to take as a director in order to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

#### OBJECTIVES AND ACTIVITIES

In the furtherance of the charitable objectives listed in the Memorandum and Articles of Association, the charitable company has adopted a comprehensive portfolio of integrated policies too extensive to document in detail in this report. Further details of the charitable company's policies, plans and objectives can be found on [www.babraham.ac.uk](http://www.babraham.ac.uk). The chief funder of the Institute is the BBSRC.

The Institute's science programmes will determine the significance of biological changes for the ageing process from conception to the onset of frailty through:

- Defining the interplay between signalling pathways and epigenetic change in regulating gene expression in cell fate choices.
- Determining how mammals handle infection and environmental alterations during development and ageing, thereby integrating signalling and genomic research.
- Defining the genetic and epigenetic networks underpinning growth and survival, proliferation and differentiation of stem cells including the embryo, placenta, and the immune system.
- Evaluating the effects on cellular and epigenetic function brought about by environmental factors such as food intake and pathogens.
- Leveraging the capital investment in Institute infrastructure and equipment, in particular the animal facilities, mass spectrometry, next generation sequencing and flow cytometry facilities, to attract investment and interaction from both the public and private sectors.

During 2015/16 research at the Babraham Institute was grouped into four Laboratories: Epigenetics; Nuclear Dynamics; Lymphocyte Signalling and Development; and Signalling. Each Laboratory contains a number of research Group Leaders who adopt complementary approaches to address a common set of biological questions. Funding from the BBSRC (other than project grants and Fellowships) is awarded in the form of Institute Strategic Programme Grant (ISPG) Awards to each of the four Laboratories. Complementing this funding there is a Campus

## **THE BABRAHAM INSTITUTE**

### **REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2016**

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#### **OBJECTIVES AND ACTIVITIES (CONTINUED)**

Capability Grant supporting core biological research facilities. Each ISPG (as is also the case for all project grants and Fellowships whether funded by BBSRC or other funding bodies) contains a list of objectives for the term of the grant, together with the time plans and resource requirements. These are far too detailed to be reproduced here, but a good description of the aims of each of the Groups can be found on our website at [www.babraham.ac.uk](http://www.babraham.ac.uk) under each Laboratory and/or Group Leader name. In addition, the BBSRC also provides a Knowledge Exchange and Commercialisation (KEC) grant which is used to enable all Institute Strategic Programmes to disseminate knowledge and where appropriate do work which facilitates partnerships to ensure that findings are translated to practical benefit, for example new therapeutic agents.

The Groups are structured so they can share resources, techniques and skills. Each Group Leader runs their own Group and is expected to create, lead, maintain and develop an internationally competitive programme of innovative research, whilst each Head of Laboratory is responsible for leading and co-ordinating a cohesive programme of research that contributes to the mission of the Institute. In addition, the Head of each ISPG coordinates the work of several Laboratories and reports annually to BBSRC. Each Group Leader is expected to raise additional funds for their research over and above the BBSRC core ISPG funding, not just to support the critical mass of researchers needed, but also to form strong strategic partnerships with other funders (often from the medical charity sector or the biotech/pharma industry) that are interested in the translation of Babraham science into technologies and discoveries with high impact for the benefit of life-long health and wellbeing. The overall science direction of the Babraham Institute is determined by the Babraham Executive Committee (BEC) (the senior executive committee responsible for the running of the Institute); additionally, the Science Policy Committee (a subcommittee of BEC with additional membership from amongst the senior science staff and Grants Office) provides scientific leadership and vision and also monitors and assesses the science in all Laboratories.

The impact of this research, for the public benefit, is primarily in enabling new medicines and treatments to be found for diseases and conditions relevant to human health. Through understanding normal physiology, our scientists are able to apply that knowledge to disease conditions, often partnering with medical research charities devoted to alleviating the effects of those particular diseases. The translation of Babraham's research may take some years to come to fruition. For example, in 2008 Babraham began to receive royalties from an immunological medicine, licensed for the treatment of colorectal cancer, which was developed directly from Babraham's research more than a decade earlier.

#### **MISSION STATEMENT**

- To be one of the world's pre-eminent life science innovative research institutions through internationally competitive science in basic cell and molecular biology.
- To serve society through science by directing discoveries to the improvement of the quality of life and through communicating the significance of our findings to the public.
- To enjoy a reputation for successfully translating good science into good business opportunities through partnerships for wealth creation.
- To provide a unique and highly successful environment at Babraham as the leading campus in the Cambridge Cluster for bioscience start-up and developing companies.
- To support early stage companies and growing biomedical enterprises.

## THE BABRAHAM INSTITUTE

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### OBJECTIVES AND ACTIVITIES (CONTINUED)

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- The Babraham Institute is an independent charitable life sciences Institute, strategically funded by the BBSRC, carrying out world-leading innovative research and advanced training with relevance to the biomedical, biotechnological, pharmaceutical and healthcare research and user communities.
- The Institute's research focuses on determining the mechanisms whereby cell signalling and gene regulation control normal cellular processes and functions underpinning ageing, development and the maintenance of health and wellbeing.
- The advances in education we make are publicly available and the Institute actively seeks partnership and knowledge exchange with relevant companies and with clinical and other researchers to ensure effective application of its research. Babraham supports a Bioincubator providing full business, scientific and technical mentoring to help biotechnology start-up companies be successful.
- As part of the UK Science Base, the Institute contributes to the economic growth, quality of life and public engagement objectives of Government.
- Through BBT, the group provides specialised office and laboratory accommodation, access to scientific expertise and equipment, and a research-centric community helping translate early stage science into products and services.

#### Key business objectives for the Babraham Group

- **Delivery of World Class science, within the Institute's remit**
  - International leadership
  - Synergistic research
  - Collaborative partnerships
  - Graduate and postdoctoral training programme
- **Excellent fit-for-purpose infrastructure for science**
  - Technical
  - Corporate
- **The highest standards of Corporate Social Responsibility**
  - Values and impact of our research
  - Community partnerships
  - Environmental impact of the Campus
  - Science and Society programme
- **An internationally recognised contribution to the UK's economic competitiveness**
  - Inward investment to the Babraham Research Campus
  - Commercialisation and wealth creation
  - Partnerships and knowledge flow
- **Robust sustainability**
  - Financial planning
  - Estate strategy
- **Efficient and effective management**
  - Operations
  - People

## THE BABRAHAM INSTITUTE

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### OBJECTIVES AND ACTIVITIES (CONTINUED)

#### Key business objectives for the Babraham Group (continued)

- **A high standard of Corporate Governance**
  - Risk control and contingency planning
  - Regulatory
  - Boards and subcommittees; executive decision-making structure and authorities

Within BBT specifically, the key business objectives are:

- to support jobs and growth in the bio-sciences especially supporting early-stage ventures and generating benefits to society.
- to provide flexible access to facilities, resources, services and capabilities to the campus and the wider community.
- to maximise the value and impact of the campus, and to attract early-stage companies or mature organisations that provide synergy to the campus community to locate their operations on the site.
- to be a central component of the Cambridge life-science cluster.

### EMPLOYEES

During the year the charitable company has continued to provide employees with relevant information and to seek their views on matters of common concern through their representatives and through line managers. Priority is given to ensuring that employees are aware of all significant matters affecting the charitable company's position and any significant organisational changes. A "team brief" protocol introduced in 2013 with a bi-monthly short briefing for all staff led by a senior manager, has helped address the timeliness of information flow and to provide a forum for upwards questioning.

The charitable company is aware of its statutory duty to support the employment of disabled persons where possible, both in recruitment and by retention of employees who become disabled whilst in the employment of the charity, as well as generally through training and career development. The charity is an equal opportunities employer and supports diversity in the workplace. The Institute has a "two ticks" status.

The Babraham Institute received a silver Athena SWAN award in April 2015, at the time only the second Research Institute to achieve Silver status, and is one of 138 Member organisations that currently hold Athena SWAN awards in the UK. The Athena SWAN Charter was launched in 2005 to recognise commitment to advancing women's careers in science, technology, engineering, mathematics and medicine (STEMM) employment in higher education. The awards recognise good practice in recruiting, retaining and promoting women in STEMM. The Charter believes that an organisation must have institutional support and underpinning institutional good practice, policies and procedures in place in order to achieve and sustain an award. The Silver award recognises the Institute's existing good practices and our plan to build on these to further progress equal opportunities.

### SUMMARY PUBLIC BENEFIT STATEMENT

The charitable purpose of the Institute is to advance education, specifically to increase public learning and knowledge in the field of biological and biomedical sciences and also to provide training leading to a higher degree (PhD) in research techniques and significant contribution to collective knowledge and understanding of specific areas of study and expertise. The trustees are mindful of their collective responsibility to ensure that the charity complies with public benefit guidance issued by the Charities Commission.

# THE BABRAHAM INSTITUTE

## STRATEGIC REPORT

### ACHIEVEMENTS AND PERFORMANCE

Key performance indicators focussing on non-financial performance during the reporting year are detailed below. The choice of performance indicators is based on readily available information which provides a useful comparison of achievements this financial year to last year.

#### Number of publications

The research the Institute undertakes continues to have a biological/biomedical relevance and impact. Potentially a very wide cross-section of the public will benefit, after our findings are translated into new medicines or treatments that can be delivered via the NHS and other healthcare providers worldwide, but especially those suffering from diseases such as cancer, immune disorders, heart disease or neurodegeneration. In 2015 (calendar year) the Institute's scientists published over 110 (2014: 103; 2013: 92) full and refereed research and review articles in journals.

A full bibliographic list of all scientific publications is listed on our website (<http://www.babraham.ac.uk/research/publications.html>) under each Group Leader's name. These publications are the main immediate tangible output of the Institute's activities.

#### New Grants

The Institute, during the year, continued to seek additional external funding from various sources both within the United Kingdom and European Union. The number of new grants by funding source and the total awarded are below:

	2015-16 Number	2015-16 £'000	2014-15 Number	2014-15 £'000	2013-14 Number	2013-14 £'000
BBSRC	4	1,038	1	150	3	650
Medical Research Council	2	611	2	1,088	4	2,540
European Union	5	3,212	4	2,754	-	-
Industry, levy boards	-	-	1	83	-	-
Trusts, foundations, charities	6	2,236	5	1,884	2	313

With the BBSRC Institute Strategic Programme Grant remaining flat lined - identifying, applying and securing new external funding sources remains a high priority of the Institute.

#### Public Engagement

The Institute continues to have a strong presence and promote the science undertaken by various public engagement events. The figures below highlight the Institute's commitment to explaining its science to various public groups ranging from schools and colleges to communities and charities.

	2015-16	2014-15
Visitors to site	551	563
Outreach Events*	28	29
Website visits	142,313	140,750

\*Visits to schools, science festival exhibits, public lectures, panel sessions, public dialogue workshops etc.

## **THE BABRAHAM INSTITUTE**

### **ACHIEVEMENTS AND PERFORMANCE (CONTINUED)**

#### **ESTATES**

There are over 60 organisations operating within the Babraham Research Campus which is managed by BBT. Tenants are located in a number of purpose built buildings with both laboratory and office space. In total, occupied space is in excess of 9,000 square meters. The most recent development, the Eddeva building was completed in December 2015, and has been fully occupied by two companies since it opened.

This development is part of an on-going programme of expanding the campus following the initial £44m investment by HM Government in 2011. The investment programme is designed to deliver innovation from the research base, generate economic growth, and create and support new companies based on world-leading UK bioscience.

In parallel with the construction projects, the Institute and BBT have been working on a joint vision for the campus which has been reinforced by further HM Government funding providing £6m towards a £17m investment. This investment, used for a further bio-incubator building and campus social infrastructure, includes a new purpose built 200 seat lecture theatre. The latest incubator building was completed late 2015, and is fully let. The social infrastructure services are expected to be operational by end December 2016.

#### **KNOWLEDGE EXCHANGE AND COMMERCIALISATION (KEC)**

Our KEC programme aims to maximise the dissemination, impact and, where appropriate, the exploitation of knowledge generated by and held within the Institute. Implicit in this is the recognition that this knowledge is the product of public investment and we have a duty to maximise outcomes from this investment for societal and economic benefit. This includes training of fellow scientists in our new emerging techniques, through continued professional development (CPD), engagement with the Biotech/Pharma sector and increased societal scientific understanding. In addition, we aim to use our expertise to inform policy, direction and understanding of science by policy makers and industrialists at home and abroad. We view this as a two-way dialogue in which we engage with industry and stakeholders to listen to their concerns and try to respond to their needs. Where appropriate we seek to maximise the impact of our research through commercialisation – this is managed by the Institute's wholly-owned trading arm Babraham Institute Enterprise Limited.

Within the last year, KEC at the Institute has gone from strength to strength, with increased researcher engagement and embedding of KEC activities, demonstrated by our success in reaching the final of the BBSRC Excellence with Impact competition and receiving a commendation. Additionally, we had a number of excellent nominations for our 2015-16 KEC Prize, and the joint winners received their prizes for very different activities: work to influence policy regarding genome editing and development of significant new commercial collaborations. 66 seminars have been hosted covering Ageing, EU-LIFE alliance research, Industry and Athena SWAN themes. 23 travel grants have been awarded supporting researchers (at all levels) in the promotion of BI research and exchange of expertise in the UK and internationally.

#### **KEY ACHIEVEMENTS IN KNOWLEDGE EXCHANGE AND COMMERCIALISATION**

Our scientific facility heads have arranged training courses to share best practice with both internal and external scientists. The Institute has hosted visits by a number of policy makers, and arranged successful symposia and meetings aimed at building further links with industry. These have already led to significant new collaborations with biotech and pharmaceutical companies.

In 2015-16, Babraham Institute Enterprise, generated in excess of £1m in revenues from the commercialisation of its assets and activities. Most of the revenues arise from collaborations with industry and commercialisation of the Institute's scientific facilities.

Babraham Institute scientists and facility staff share knowledge and expertise through consultancy or training. Several formal training programmes are now well established; Bioinformatics has run 60 courses this year, training some 577 scientists in their techniques and are involved in creating a new training resource. The Biological Support Unit (BSU) and Imaging facilities provide on-the-job training to industry and consultancy on an ad-hoc basis.

### **REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2016**

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#### **ACHIEVEMENTS AND PERFORMANCE (CONTINUED)**

## **THE BABRAHAM INSTITUTE**

### **PUBLIC ENGAGEMENT**

Babraham has a rich history of public engagement. Activities include panel debates, public dialogues, science talks, development of family exhibits, participation in science festivals, a school outreach programme and hosting visits to the campus. Achievements this year include a public dialogue project and report to explore Institute scientific and public engagement strategy, a new 8-week 'Challenge' project with a Dutch school, activities with University of the Third Age and the development and exhibit of an immunology exhibit 'Weapons of Microscopic Destruction' at the Royal Society Summer Science Exhibition.

### **FUTURE DEVELOPMENTS**

The Institute will continue to be principally engaged in the field of basic bioscience with a strong emphasis on research into healthy ageing. The Institute's science programmes will determine the significance of biological changes for the ageing process from conception to the onset of frailty.

The priority will be to ensure that all our BBSRC funded research is internationally competitive with the best academic groups in our area of endeavour. We continue to prioritise the need to control costs in all categories including pay costs, but note the need to invest strategically to reach new collaborators and expand the reach of the Institute wherever possible. There will be many other challenges for the Charity. The importance of obtaining increased income from industrial and European Union sources will continue, but other options will need to be pursued in the area of Brazil, Russia, India and China (BRIC) developing countries research, and resources will be allocated towards achieving this ambition.

The impact of the Referendum on EU membership will be monitored closely by the Institute with the aim of securing alternative sources of funding and collaboration to mitigate against the possible loss of EU grant income.

Ensuring the Institute attracts the most gifted staff remains a strategic priority. In particular succession planning remains an important issue. This will continue to be achieved through new recruitment to priority areas as well as through advancing the careers of younger scientists and ensuring that they are fully equipped to take leading roles in the future development of the organisation.

### **BABRAHAM BIOSCIENCE TECHNOLOGIES (BBT)**

Both shareholders have seen the value of their investment increase in 2015-16. BBT recently raised additional share capital from both BBRSC and BI which is helping to finance a social infrastructure project including a new refectory for all campus staff, and a 200 seat lecture theatre. BI invested £2.3m in exchange for additional share capital but retains 75% of the overall shareholding. This project which attracted £6m new HM Government investment will further enhance the offer to all campus tenants and will be operational in December 2016.

### **RISK MANAGEMENT**

The Institute Board is responsible for ensuring there are effective and adequate risk management and internal control systems in place to manage the major risks to which the Charity is exposed. The Audit Committee agrees an annual risk-based internal audit plan which covers major risks identified by management and Trustees. It receives reports from internal auditors on the effectiveness of internal controls, progress against the internal audit plan and progress on recommendations made in reports. The Board reviews a full risk report annually tracking major risks. The Science and Impact Advisory Committee (SIAC) also assess the science quality and vision covered in various sections of the risk register. The table below summarises how the Institute manages its key risks.

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## **REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2016**

### **RISK MANAGEMENT (CONTINUED)**

## THE BABRAHAM INSTITUTE

Risk Area	Description of Risk	Risk Management
Future BBSRC research funding	BBSRC strategic funding is reduced as a result of poor performance or public sector spending pressures.	<p>Regular monitoring of scientific performance, including consideration from the Science and Impact Advisory Council (SIAC).</p> <p>The Institute will seek to secure alternative sources of funding and collaboration to mitigate against the possible loss of EU grant income.</p> <p>Regular communication with BBSRC to report performance and ensure strategic alignment of research programmes.</p> <p>In Autumn 2016 the Institute will undertake its periodic five-year review by BBSRC which will assess research performance, consider future strategic direction, and agree funding for 2017-22.</p> <p>Monitoring of performance of competitive grant submissions with emphasis on widening the pool of grant funders.</p>
The impact of the UK Referendum result on EU membership	The impact of the UK Referendum result on EU membership leads to a reduction in both future EU funding and ability to enter into international research collaborations. The Referendum result may promote the loss of key research staff from the UK.	The Institute will work closely with funders and international research partners to evaluate the potential impact on existing EU funded collaborations, and look to find alternative funding sources to bridge any shortfall. The Institute will work closely with BBSRC and the Home Office to ensure both the existing and future employment regulations safeguard our staff and ensure research continuity.
Technology investment	<p>BI is unable to keep pace with developments in technology underpinning its science.</p> <p>Funding is inadequate to sustain and improve technology facilities necessary to support scientific objectives.</p>	<p>Funding opportunities identified and pursued for technology investments.</p> <p>Regular communication with BBSRC to ensure alignment of technological capacity with research programmes.</p>

REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2016

RISK MANAGEMENT (CONTINUED)

## THE BABRAHAM INSTITUTE

Risk Area	Description of Risk	Risk Management
Staff retention and recruitment	BI is unable to retain or attract suitably skilled staff to enable it to sustain its scientific performance.	<p>Strategy and action plans in place, monitored by Strategic Human Resources Group. Career development programmes in place to support staff.</p> <p>Performance Management processes in place. Recruitment strategy and processes in place.</p>
Estates	<p>Estate facilities do not adequately support the delivery of its scientific objectives.</p> <p>Funding is inadequate to sustain and improve facilities necessary to support scientific objectives.</p>	<p>5-year Business Plan being developed for 2017-22 which includes significant investment in Estates to support Estates Strategy.</p> <p>Regular communication with BBSRC on Estates</p> <p>Facilities management systems are being enhanced.</p> <p>Energy usage data is being developed and energy plan being implemented.</p>
Business Continuity	A major incident disrupts scientific research programmes and/or administrative systems.	<p>Disaster recovery and Business Continuity plans in place and tested periodically.</p> <p>Review of compliance with health &amp; safety and relevant regulations from government agencies and internal auditors.</p> <p>Appropriate insurance arrangements in place.</p>

Within BBT, the Directors carry out regular reviews of the risks to which the company may be exposed both at regular Board Meetings and through the company's Audit Committee. Where necessary the company can call upon the Research Council's Audit and Assurance Services Group (AASG) to act as an independent internal audit service. The principal risks considered by the BBT board include:

- Significant drop in demand for the facilities on site;
- Change in Government support of BBSRC;
- Reduction in investment in the life-science sector.

**REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2016**

**FINANCIAL REVIEW**

## **THE BABRAHAM INSTITUTE**

The group has recorded a surplus for the year of £925k (2015 £1,277k) increasing unrestricted reserves, and a positive net capital movement for the year of £19,029k (2015 £6,354k) increasing capital reserves.

The individual results within the group show that Babraham Institute reported an unrestricted funds deficit of £1,094k (2015 surplus £1,270k) and BBT a surplus of £1,562k (2015 £7,847k) – the fluctuation in results for the Institute reflecting the unrealised loss on investments in the year (£1,137k loss compared to £1,380k gain in 2014/15). The results for BBT are significantly lower in 2015/16 as the previous year included £6,855k revaluation to land and buildings. Income in BBT from what is now the primary activity in providing rental space and support services has increased. No gift aid was paid to The Babraham Institute for either year.

Babraham Institute Enterprise Ltd results were £121k profit (2015: £1,478k loss), the loss for the previous year being attributable to impairment of investments held. No gift aid was paid to The Babraham Institute for either year.

Capital funding of £353k within the Institute and £1,957k within BBT was received in the year. This funding from BBSRC is restricted capital funding and supported the continued enhancement and expansion to the Babraham Research Campus during the year. Significant revaluations within the Institute (£23m) to land and buildings have further increased capital reserves in the year (page 16). Capital funds have been released from capital reserves against depreciation charges in the year and accounts for the remainder of the movement within capital reserves.

Assets under construction at the year-end totalled £2,912k which relate to 'The Cambridge Building', a new campus social facilities building comprising a 200 seat conference facility, meeting rooms, restaurant and social and networking space.

The Institute's largest funding stream, the Institute Strategic Programme Grant (ISPG) from BBSRC has continued to be flat-lined in the reporting year at £12,451k. No inflationary increase has been received since the start of the five year ISPG cycle in 2012. The Institute has continued to actively monitor its cost base and strive for efficiency savings where possible to ensure the Institute continues to achieve a surplus each year. With flat-lined ISPG income, the Institute has sought to maximise its returns on funds held by moving from holding larger cash balances to holding investments managed by Royal Bank of Canada. This allowed the Institute to benefit from investment income of £769k in the year (2015 £568k).

Overall, the results for the group continue to reflect the proactive approach the Institute and its subsidiary companies take to maximise income and to actively monitor and minimise cost, in order to increase both unrestricted and restricted reserves for another successive year.

Looking to the future the Institute continues to remain on a tight financial budget and a longer term focus will need to be placed upon continuing to seek and secure fresh income streams.

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## **REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2016**

### **RESERVES POLICY**

The Group's reserves are held to support financial solvency, manage uncertainty and fund future activities. The level of reserves required by the Group is therefore determined by reference to:

## **THE BABRAHAM INSTITUTE**

- Future operational and capital expenditure requirements in the 5-year Operational Budget (currently being developed with support from BBSRC as part of the 2016 Institute Assessment Exercise which will set plans for the next 5 year period 2017-22);
- Potential financial risks identified in the Risk Register;
- Funding required for strategic investments not included in the operating budget;
- Working capital / liquidity requirements;

The Trustees have reviewed the reserves of the Group. The review encompasses the nature of the income and expenditure streams, the need to match variable income with fixed commitments, and the nature of the reserves. The trustees concluded that to facilitate long term planning they aim to achieve a general reserve equivalent to three months' unrestricted fund expenditure (in the region of £7m). Current unrestricted funds of £21m are therefore considered sufficient.

## **PRINCIPAL FUNDING SOURCES AND REVIEW OF EXPENDITURE**

The Babraham Institute is one of eight Institutes sponsored by the BBSRC. Funding is derived from our principal sponsor, the BBSRC, together with external grants or fellowships competitively gained from other research councils, charities and industry.

Expenditure incurred as analysed in the Statement of Finance Activities relates to Charitable Activities, including support costs. Governance costs, together with commercial trading activities are shown separately.

**On behalf of the Board of Trustees**

**Mr G Hope-Terry**  
**Chairman of the Audit Committee, Trustee and Member**  
Date:

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