

THE BABRAHAM INSTITUTE

REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2020

The Trustees are pleased to present their annual Trustees' Report together with the consolidated financial statements of the charity and its subsidiaries for the year ending 31 March 2020 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 2019).

The Board sadly notes the death of Institute Director, Professor Michael Wakelam, on 31 March 2020.

REFERENCE AND ADMINISTRATIVE DETAILS OF THE CHARITY

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 03011737), present their report together with the audited financial statements for the year ended 31 March 2020. 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 (UKRI-BBSRC) by whom it is strategically funded. UKRI-BBSRC is part of UK Research and Innovation (UKRI), a body working in partnership with universities, research organisations, businesses, charities and government.

The charity has two trading subsidiaries: Babraham Bioscience Technologies Limited (BBT) (Registered in England and Wales number 03241492) and Babraham Institute Enterprise Limited (BIE) (Registered in England and Wales number 06331858); referred to as the "Group" throughout.

BIE holds 90% of the share capital of Aitua Limited (Registered in England and Wales number 04548076) and held 50% of Discerna Limited (Registered in England and Wales number 04144764). Aitua Limited in turn owns the remaining 50% of Discerna Limited, giving the group an overall holding of 95%. Discerna Ltd was liquidated on 28 February 2020 as all trading and operating activity ceased during the previous financial year. Furthermore Auita Ltd was liquidated on 22 September 2020 as the company was no longer active.

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 lifelong health and healthy ageing through frontier research into molecular and cell biology and development. The chief funder of the Institute is UKRI. Operating across the whole of the UK with a combined budget of more than £6 billion, UKRI became operational on 1 April 2018 and has brought together the seven Research Councils (including UKRI-BBSRC), Innovate UK and a new organisation, Research England.

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 on Campus. Its principal activities 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.

BIE held share capital in Aitua Limited but its primary role is to support the commercialisation of the Institute's science, and has responsibility for managing and commercialising the Institute's intellectual property portfolio through partnerships with industry, licencing activities, and the formation of spin-out companies. BIE also works closely with BBT to facilitate access to the Institute's cutting-edge scientific facilities for early stage companies both on and off the Babraham Research Campus, thereby supporting the local economy.

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STRUCTURE, MANAGEMENT AND GOVERNANCE

BOARD OF TRUSTEES

Up to and including the year ended 31 March 2020, 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 UK Research & Innovation (UKRI). Vacant Trustee positions are advertised nationally, in appropriate newspapers or technical journals.

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:

Prof P Rigby FRS
Mr G Allen
Mr G Braham #
Prof D Cantrell FRS
Mr A Clare
Prof A Ferguson-Smith FRS #
Dr L Gailey #
Prof N Jones
Prof D Kipling
Prof C Page

Denotes members of the Audit Committee as at 31 March 2020.

Separate Audit Committees operated during the year for the Institute and BBT. Additionally, a joint audit committee is convened annually to ensure proper scrutiny of Group 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, up until 31 March 2020, by Institute Director, Professor Michael Wakelam. Following the death of Professor Wakelam, the Board of Trustees appointed Professor Wolf Reik as the Institute's Acting Director in May 2020.

The Company Secretary is Mr Simon Jones. The CEO of BBT, one of the Institute's trading subsidiaries, Mr Derek Jones, is employed on a BBT contract. 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 an annual Trustees' Report and financial statements in accordance with applicable law and regulations. Company law requires the Trustees to prepare financial statements for each financial year.

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TRUSTEES' RESPONSIBILITIES STATEMENT (CONTINUED)

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

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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable group 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 annual Trustees' Report:

- there is no relevant audit information of which the charitable company's auditor is unaware; and
- the Trustees have taken all the steps that they ought to have taken as Trustees in order to make themselves aware of any relevant audit information and to establish that the charitable company's auditor is aware of that information.

COMPLIANCE WITH SECTION 172(1) OF THE COMPANIES ACT 2006

Institute governance dictates that key strategic decisions are made at the Babraham Executive Committee (BEC; chaired by the Director), which responds to advice from the Board of Directors, Scientific Advisory Panel and other key stakeholders including the UKRI-BBSRC and other funding agencies. BEC is comprised of senior managers from across all functional areas, bringing a broad perspective of opinions to Institute business.

The Institute's Environmental Sustainability Vision, discussed elsewhere, commits the Institute to making a positive impact not only on the protection of the environment but to enhance it, while ensuring our research is maintained at a world class standard. At a local level, the Green Labs initiative has been established. This sustainability scheme is focussed on the environmental footprint of our scientific research and other activities across campus, with two main aims:

- To make vital improvements to our environmental footprint, at this time of climate and ecological emergency
- To save valuable funds through best practice (e.g. energy efficiency).

We recognise that in order to maintain productive relationships with key stakeholders, the Institute must uphold high standards of business conduct. Operational teams hold and update relevant professional accreditations, and undertake continuing personal development to ensure they are working in an effective manner. In 2019-20 a Research Integrity Committee was established to oversee the policies, management systems and processes supporting research integrity at the Institute.

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COMPLIANCE WITH SECTION 172(1) OF THE COMPANIES ACT 2006 (CONTINUED)

This will enable others to have confidence that our research is founded on rigour and excellence, and is of the highest international quality.

The Institute has numerous mechanisms to foster relationships with key stakeholders. As the principal funder, relations with UKRI-BBSRC are maintained through many formal interactions. The Director and Chair of the Board of Trustees hold regular partnership meetings with the Chief Executive of the UKRI-BBSRC. In addition, the Directors of all UKRI-BBSRC Institutes meet regularly with UKRI-BBSRC to discuss their strategic alliance. Furthermore, the COO and senior members of the operations team hold frequent bilateral meetings with their counterparts at UKRI-BBSRC.

As a majority shareholder in Babraham Bioscience Technologies Ltd (BBT), the Institute maintains close and productive relationships with the BBT management and board. One highlight area of constructive associations surrounds environmental sustainability, where representatives from complementary functional areas, including engineering and facilities management, work collectively to reduce the impact of the campus on the local and wider environment.

Beyond the UKRI-BBSRC, the Institute is part of additional formal and informal networks. As part of the EU-Life alliance, a collection of independent European research institutes in the life sciences, the Institute plays a key role in building and promoting excellence in the life sciences. Institute scientists all belong to their collaborative research networks, bringing together ideas from across the globe. For grants running in 2019-20, the Institute had collaborations with 114 organisations across 20 countries.

The Institute is committed to the principles of the Modern Slavery Act 2015 and the abolition of modern slavery and human trafficking. Procurement for goods and services is provided by a wide range of suppliers and the contractual terms and conditions that the institute puts in place with third parties are regularly reviewed and have been updated to include provisions designed to ensure that any risks of modern slavery in the institute's supply chain are appropriate and effectively addressed.

Institute science interfaces with many key areas of policy from public health to education, and from animal welfare to big data. Our life science research has significant potential to shape and inform policy on topics such as gene editing, stem cell research and the effect of dietary restriction over the course of a person's life. We also participate in broader discussions including animal welfare and the importance of the bio-economy. Our researchers and staff place significant value on working with policymakers and policy organisations through discussion, evidence and debate (see the Public Engagement section for further details).

In 2019-20, the HR department commissioned an employee engagement survey (in collaboration with The Survey Initiative). The survey will help identify key issues and priorities for improvement, as well as highlighting areas of success and good practice within the Institute. The intention is to openly communicate the results of the survey in 2020 and implement positive change as a result of the feedback.

The Institute is committed to creating, maintaining and promoting equality, diversity and inclusivity (EDI) in all aspects of its policies, procedures and activities, and to the principles of the Equality Act 2010. Our 'equality4success' programme unites all EDI activities and regularly consults with Individuals to monitor the implementation of this goal. In 2019-20 the Institute signed up to the Technician Commitment initiative to pledge action against the key challenges that affect our technical staff; visibility, recognition, career development and sustainability. Consultations during 2020 will illuminate the key areas of future focus.

The mental health and wellbeing of our staff is paramount and the Institute has a number of ways to support staff. The Employee Assistance Programme (EAP) is a 24-hour helpline for Institute staff, including financial, relationship and emotional support as well as telephone counselling. In 2020-21 we established the Mental Health First Aider (MHFA) scheme, recruiting volunteers from across the Institute to be a point of contact for any member of staff. Whilst MHFA's are not trained to be counsellors or therapists, they will play a pivotal role in offering initial support through non-judgmental listening and guidance.

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OBJECTIVES AND ACTIVITIES

INSTITUTE OBJECTIVES

In the furtherance of the charitable objectives listed in the Memorandum and Articles of Association, the charitable company is guided by a comprehensive portfolio of integrated policies. Further details of the charitable company's mission can be found online (www.babraham.ac.uk/about-us). Information on funding, research activities, scientific services and wider Institute programmes such as public engagement, commercialisation and equality and diversity can be found in the Institute's Annual Research Report (www.babraham.ac.uk/our-research/annual-research-report).

The Institute's research operates across three science programmes (Institute Strategic Programmes, ISPs) focusing on epigenetics, signalling and lymphocyte signalling & development and supported by UKRI-BBSRC strategic funding. The programmes work towards our overarching goal of understanding the fundamental biological mechanisms and changes underlying development and healthy ageing. Key strategic objectives include:

- Understanding the interaction between the immune system and other tissues; the role of signalling pathways in the immune system as well as the effects of ageing on the immune response and vaccination.
- Investigating the role of signalling pathways and the autophagy process in ageing, health and disease.
- Using the epigenetic clock to investigate how life events influence biological ageing, and examining mechanisms of epigenetic inheritance, stem cell differentiation and the impact of subtle epigenetic differences on cell diversity.
- Studying the impacts of diet and other lifestyle and environmental factors on epigenetics, signalling, metabolism, health and ageing.
- Leveraging the capital investment in Institute infrastructure and equipment, in particular the state-of-the-art scientific services and biological support unit, to attract investment and interaction from both the public and private sectors.

Each ISP contains a number of research Group Leaders who adopt complementary approaches to address a common set of biological questions. The Institute recruited three new Group Leaders in the period 1 April 2019 - 31 March 2020; Dr Hayley Sharpe and Dr Rahul Samant both to the Signalling research programme, and Dr Maria Christophorou to the Epigenetics research programme.

The Institute's three ISPs receive funding from the UKRI-BBSRC in the form of Institute Strategic Programme Grants (ISPG) awarded to each programme. Each ISPG contains a list of objectives for the term of the grant, together with time plans and resource requirements; the grants are allocated for these specific, approved projects and funding may not be diverted to diverse activities. The ISPGs are summarised in the list of objectives above and a more detailed insight into the aims of each ISPG and research group can be found in the Annual Research Report (www.babraham.ac.uk/our-research/annual-research-report).

Complementing ISPG funding there is a Campus Capability Grant (CCG) supporting the Institute and its core biological research facilities. The UKRI-BBSRC also provides a Knowledge Exchange and Commercialisation (KEC) grant which is used to enable the Institute to effectively 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 grant also supports the Institute to employ a team of skilled KEC specialists to support and facilitate this work.

The Institute's research 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. Each ISP Head is responsible for leading and co-ordinating a cohesive programme of research that contributes to the Institute's mission of understanding and helping to improve lifelong health. This involves coordinating and uniting the goals of several groups and ensuring appropriate annual reporting to the UKRI-BBSRC.

Each Group Leader is expected to raise additional funds for their research over and above the UKRI core ISPG funding, not only 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 Institute science into technologies and discoveries with high impact for the benefit of lifelong health and wellbeing.

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OBJECTIVES AND ACTIVITIES (CONTINUED)

INSTITUTE OBJECTIVES (CONTINUED)

The overall science direction of the 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 (SPoC; 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 across all groups.

The impact of this research, for the public benefit, is a deeper understanding of the mechanisms of health and disease throughout life. The insights gained from the Institute's fundamental research may lead to changes to public advice on healthy living, wellbeing and ageing; could influence public health policies; and may underpin medical research into new therapies and treatments.

Through understanding normal physiology in both humans and animals, the Institute's scientists are able to apply that knowledge to disease conditions, often partnering with medical research charities and organisations devoted to alleviating the effects of those particular diseases. As a fundamental research organisation, it is acknowledged that the Institute's research can be far removed from these final outcomes and there is an expectation that the translation of Institute research may take some years to come to fruition, yet over the course of its history the Institute has demonstrated its ability to deliver high-impact research advances.

For example, in 2008 the Institute began to receive royalties from an immunological medicine, licensed for the treatment of colorectal cancer, which was developed directly from research performed more than a decade earlier. In 2017, the Institute published findings from a collaboration involving both GSK and AstraZeneca that could lead to new cancer screening approaches. The results of a recent new collaboration supported by Innovate UK could lead to the identification of new anti-cancer drugs. And in 2020, Enhanc3d Genomics, a new spin-out from the Institute, formed from genomics research undertaken by group leaders in the Epigenetics group, won external seed funding.

INSTITUTE MISSION STATEMENT

- To be a world-leading life science and innovation research institution producing internationally recognised and respected science with a view to creating significant social and economic impacts through understanding and improving lifelong health.
- To maximise awareness, relevance and impact of our work through a diverse and creative programme of knowledge exchange, commercialisation, public engagement and communication. Particularly by building a reputation for collaboration, transparency and high-quality science and business acumen.
- To provide a unique and highly successful environment, establishing Babraham Research Campus as the leading campus for bioscience start-up and developing biomedical companies and for supporting the development and growth of those organisations.

INSTITUTE REMIT

- The Babraham Institute is an independent charitable life sciences Institute, strategically funded by the UKRI-BBSRC, carrying out world-leading innovative research and advanced training with relevance to the biological, biotechnological, biomedical, pharmaceutical and health 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 made due to the Institute's research 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.
- To be an active participant of the Babraham Research Campus by supporting early-stage bioscience enterprise through collaboration and providing access to state-of-the-art equipment.

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OBJECTIVES AND ACTIVITIES (CONTINUED)

INSTITUTE REMIT (CONTINUED)

- As part of the UK Science Base, the Institute contributes to the economic growth, quality of life and public engagement objectives of Government. Our work supports the UKRI-BBSRC's Bioscience for Health strategic priority and works towards addressing the Ageing Population Grand Challenge as outlined in the UK Government's Industrial Strategy.

BABRAHAM GROUP BUSINESS OBJECTIVES

Delivery of World Class science, within the Institute's remit

- International leadership
- Synergistic and nationally strategic research
- Collaborative partnerships
- Graduate and postdoctoral training programme

Excellent fit-for-purpose infrastructure for science

- Technical
- Corporate
- Educational

The highest standards of Corporate Social Responsibility

- Values and impact of our research
- Community partnerships
- Environmental impact of the Campus
- Public Engagement Programme
- Openness and transparency

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 and estate strategy

Efficient and effective management

- Operations and People

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.

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OBJECTIVES AND ACTIVITIES (CONTINUED)

BABRAHAM INSTITUTE ACTIVITIES

EMPLOYEES

During the year the Babraham Group 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 group's position and any significant organisational changes. Within the Institute, a monthly Babraham Executive Committee (BEC) summary report is available to all staff, with tailored communications emailed directly to staff on issues of Institute management, personnel and events of note. Although ad hoc, these emailed communications ensure that all staff receive information that is relevant to the situation, the mechanisms for communication and support are made clear and misinformation is avoided. Annual partnership meetings where Professor Melanie Welham presents an update to Institute staff and annual briefings for all staff led by the Director, provide a forum for upwards questioning. The charity has committed to a programme of employee engagement surveys and action plans over the next two years (2020 – 2022), with the first staff survey taking place in January 2020.

The group 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 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 164 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 Charter's remit was significantly expanded in 2015 to include support roles, other academic fields and equality for all genders. Therefore, the receipt of a Silver award in December 2018 under this expanded Charter indicates the significant work that the Institute has carried out to support all staff - and is a recognition of the Institute's ongoing good practices. The Institute plans to build on these to further progress equal opportunities. Following a recent review, Athena SWAN status must be now renewed every five years.

Remuneration of key management personnel is set annually by the senior remuneration committee which comprises the Institute Chair and Deputy Chair along with at least one other trustee.

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.

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.

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ACHIEVEMENTS AND PERFORMANCE (CONTINUED)

Number of publications

The Institute's research continues to have biological / biomedical relevance and impact. Potentially a very wide cross-section of the public will benefit from our understanding of the ageing process and as a result of the translation of our findings into new medicines or treatments. Given the broad scope of our work, its relevance to everyone through their lifecourse, and our commitment to maximising research impacts through knowledge sharing with politicians, health and care services, we believe the Institute is making vital contributions to the future wellbeing and economy of the UK and beyond. In 2019 (calendar year) the Institute's scientists published a total 77 (2018: 108; 2017: 96) full and refereed research and review articles in journals.

A full bibliographic list of all scientific publications is available on our website (www.babraham.ac.uk/publications) and under each group's webpage. As with all scientific research organisations, 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, European Union and further afield. The number of new grants with a start date in 2019-20, by funding source and the total awarded, are below:

	2019/20		2018/19		2017/18	
	Number	£'000	Number	£'000	Number	£'000
UKRI-BBSRC	5	1,786	2	413	4	1,602
Medical Research Council	2	916	2	2,727	2	893
Innovate UK	-	-	-	-	1	183
European Union	2	361	5	612	2	593
Industry, levy boards	3	457	3	552	1	642
Trusts, foundations, charities, foreign governments	9	1,970	3	2,683	9	2,263

With the UKRI-BBSRC Institute Strategic Programme Grant (ISPG) reducing – identifying, applying and securing new external funding sources remains a high priority of the Institute.

Public Engagement

The Institute's engagement programme continues to go from strength to strength. The Institute's vision is of an open, transparent and accountable organisation that is leading in its contribution of science to culture, society, economic development and growth. Public engagement and science communication at the Institute is embedded within its research and supports interactions between researchers and a variety of public groups. The Institute has a core Public Engagement Team, supporting a varied and dynamic programme to engage students, teachers, community groups, family and adult audiences. The figures below highlight the Institute's commitment to these activities.

	2019/20	2018/19	2017/18
Visitors to site	440	458	437
Outreach Events*	34	42	39
Total Public Audience Engaged	2,251	17,468	6,175
Website visits	116,435	130,230	131,167

*Visits to schools, science festival exhibits, public lectures, panel sessions, public dialogue workshops, hosting community tours on campus, library talks etc.

The Institute's public engagement programme continues to engage at local, national and international level and there have been a number of achievements in 2019-20. Highlights of the Institute's schools programme have included a new and very successful PGCE Teacher Day for trainee teachers, and a Sixth Form Conference.

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ACHIEVEMENTS AND PERFORMANCE (CONTINUED)

Public Engagement (CONTINUED)

Both events saw new relationships develop with students, teachers and Institute researchers, as the Institute's latest science was discussed in the context of the curriculum.

The Institute's participation in the EU funded Horizon 2020 project, 'ORION', has continued into its third year, with the delivery of public dialogue activities focusing on genome editing in Cambridge, Germany, the Czech Republic and Sweden. Results from this dialogue work are due in autumn 2020. As the project moves into its final year, the Institute's focus will be on ensuring maximum impact from ORION results both at the Institute and across the wider scientific community.

This year marked the second and final year of another EU funded Horizon 2020 project, 'LIFE LAB'. LIFE LAB is a collaboration of research institutes from across Cambridge, together the project partners aim to reach audiences who are less likely to engage with scientific organisations. In September 2019, activities spanned Cambridge, Peterborough and Ely, and included a schools programme and events for families and adults. As part of this, the Institute ran its successful Cell Signalling Escape Room at Ely Cathedral, with a number of teams taking part. Additionally, the Escape Room and a number of Institute researchers attended the LATITUDE festival in July 2019, taking Institute science to a popular music festival, again with the aim of reaching members of the public who wouldn't usually engage with scientific research. This was a great success and Institute researchers are currently developing a new Epigenetics themed room. Unfortunately, overall audience numbers for the Institute's Public Engagement programme are lower in this period as the Institute was unable to participate in the Cambridge Science Festival 2020, due to the outbreak of Coronavirus.

Finally, a significant achievement in 2019 was the Institute being recognised with a 'Leader in Openness Award' from Understanding Animal Research. This leadership status recognises our achievements and commitment to openness around the use of animals in research.

Knowledge Exchange and Commercialisation (KEC)

The Institute's 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 that the Institute has a duty to maximise outcomes from this investment for societal and economic benefit.

This includes training of fellow scientists in new emerging techniques, through continued professional development (CPD), engagement with the Biotech / Pharma sector and other research organisations. In addition, the Institute aims to use its expertise to inform policy, direction and understanding of science by policy makers and industrialists at home and abroad. KEC is viewed as a two-way dialogue in which the Institute engages with industry and stakeholders to listen to their concerns and try to respond to their needs. Where appropriate the Institute seeks to maximise the impact of its research through commercialisation – this is managed by the Institute's wholly-owned trading arm BIE.

Within the last year, KEC at the Institute has performed strongly, again receiving a 'green light' status from the UKRI-BBSRC for its new KEC Strategy for 2017-22. Notably in 2020, Enahnc3d Genomics Ltd spun-out from the Institute, formed from genomics research undertaken by Institute group leaders, and won seed-funding and training support from a start-up accelerator. At the beginning of this year the Institute was successful in receiving Royal Society funding to support an Entrepreneur in Residence at the Institute, to support the KEC team in developing further the Institute's KEC activities over the next two years.

The Institute has hosted a number of seminars covering epigenetic research, scientific policy, clinical biobanks and EU-LIFE alliance research. The Institute has also arranged successful meetings aimed at furthering links with industry; such events have included a Babraham Research Campus science meeting, which has attracted high attendance from both company scientists and Institute researchers.

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ACHIEVEMENTS AND PERFORMANCE (CONTINUED)

Knowledge Exchange and Commercialisation (KEC) (CONTINUED)

Additional bespoke meetings between industry leads and Institute Group Leaders have led to significant new collaborations with biotech and pharmaceutical companies, as evidenced by new and ongoing collaborations with AstraZeneca, Artios, Celgene, Cancer Research UK TDL, Lonza Biologics, F-Star and Phoremest. Industry networking and KEC Travel grants have been awarded supporting researchers (at all levels) in the promotion of Institute research and exchange of expertise in the UK and internationally. In addition, through proof-of-concept funding, awarded by the Institute's Translation Advisory Group (TAG, populated by Biotech / Pharma professionals), the development of new intellectual property generated by researchers continues to be supported, with three proposals currently being mentored and assessed through the latest TAG funding call.

A number of scientific facility Heads now have in place extensive formal training courses to share best practice with both internal and external scientists at both the Institute and outside venues; KEC has financially supported the Bioinformatics facility in scaling-up a fully commercial bioinformatics training offering which has achieved significant success, and the Bioinformatics team's annual bioinformatics hackathon increased in prominence this year, being strongly supported by the Cambridge computing community.

In 2019-20, Babraham Institute Enterprise Limited generated £1.38m 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.

SUSTAINABILITY

The Institutes Environmental Sustainability Vision is a commitment to making a positive impact on not only the protection of the environment but to enhance it while ensuring our research is maintained at a world class standard. The Institute's Chief Operating Officer has responsibility for environmental management.

The Institute continues to invest in energy saving opportunities exploiting funding opportunities from UKRI-BBSRC and UKRI to not only improve and reduce the carbon footprint of the Institute and its science but to maximise efficiency in its use of energy. Recent advances include:

- Laboratory Building LED lighting replacement programme: all corridor lighting replaced with LED PIR controlled lighting and all laboratory areas replaced with LED panel fittings.
- 2017-18 Tri-generation project: Replacement of an aging combined heat and power units with a new one-megawatt unit with absorption chiller. This has been a great success not only reducing the Institutes utility spend but also its carbon footprint. The system allows the Institute to use the heat generated through the generation of electricity for both heating and cooling saving the institute in excess of 1500 tCO₂ per year.
- Laboratory Building Air Handling Unit refurbishment (2017-18): this project involved all of the belt driven fans in the buildings air handling units being replaced with direct drive fans, which are not only more energy efficient but also reduce forward maintenance costs.
- Installation of a new glass wash facility: this replaced the original twenty-year-old boiler that was no longer fit for purpose. The new boiler with modulating burner has shown a 20% saving on gas compared to the previous unit.
- Diverting waste sent to landfill. During 2019-20 no waste was sent to landfill

THE BABRAHAM INSTITUTE

REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2020

ACHIEVEMENTS AND PERFORMANCE (CONTINUED)

SUSTAINIBILITY (CONTINUED)

Proposed Targets for 2021-22

The following targets have been reviewed and approved by BEC, who will also monitor progress.

- To actively reduce business travel across fleet cars, staff using their own cars for business and public transport by at least 10%.
- To reduce water abstraction by at least 5% on supply from the BI water main, in line with the requirements of the Environment Agency.

UKRI are in the process of developing their environmental sustainability policy and the Institute will incorporate any relevant UKRI recommendations into its environmental strategy following publication.

2019/20 Streamlined Energy and Carbon Report (SERC) outcomes

Emissions data

Greenhouse Gas Emissions		2019/2020	2018/2019	2017/2018
Scope Emissions Indicators (tCO ₂ e)	Total Gross Emissions	6,917	6,853	8,357
	Total Net Emissions	6,917	6,853	8,357
	Gross Emissions Scope 1 (Fuel)	5,846	4,911	4,506
	Gross Emissions Scope 1 (Transport x 100)	339	377	853
	Total Scope 1 Emissions	6,185	5,288	5,359
	Gross Emissions Scope 2 (Electricity)	732	1,564	2,998
Related Energy Consumption (MWh)	Electricity: Non-Renewable	9,865,723	10,135,750	10,426,210
	Electricity: Renewable	0	0	0
	Transport	13,584	15,082	34,640
	Gas	31,781,305	26,750,000	24,517,642

Methodology

- The report covers the emissions for which the Institute has financial control and this was the boundary defined by the organisation.
- Utility data was collected for the past three financial years; 2017-18, 2018-19 and 2019-20 for the period 1st April to 31st March consistently.
- Measurement of Scope 1 and Scope 2 emissions were based on billing data via invoices provided by the utility supplier and recorded mileage for transport emissions.
- Reporting was based on the analysis of the data, to highlight any trends, progress towards reduction and recognised improvements.

THE BABRAHAM INSTITUTE

REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2020

ACHIEVEMENTS AND PERFORMANCE (CONTINUED)

SUSTAINIBILITY (CONTINUED)

Methodology (continued)

- An Intensity Ratio of tCO₂e/Full Time Equivalent was selected by the Institute to present the data on a clear and transparent like-for-like basis.
- The methodology used to compile the data was that used in the fulfilment of the regulatory requirements for the Energy Savings Opportunity Scheme (ESOS).
- There are no process emissions within the organisation and emissions from air conditioning, refrigeration units in offices buildings are excluded due to cost of data collection. These are estimated to account for less than 0.2% of the total Scope 1 emissions.
- Emissions factors used are those from the UK Government GHG Conversion Factors for Company Reporting Standard Set 2018.

GROUP ESTATE ACTIVITIES

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. 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 April 2014, an additional £17m capital development project was initiated, catalysed by a further £6m grant announced by the Chancellor of the Exchequer, again to further develop the Babraham Research Campus. Under this project an additional laboratory and office building has been constructed and a new social infrastructure building has been completed and opened to campus tenants in January 2017. This latter building named The Cambridge Building now provides a new 200 seater conference facility, catering, meeting rooms and social and networking space. This reflects the needs of a growing campus, and the key role of providing space for networking for the campus tenants.

IMPACT OF COVID-19 ON ACHIEVEMENTS

From February 2020, the Institute spent considerable time and effort preparing for a UK-wide lockdown in response to the COVID-19 pandemic. The majority of staff began working remotely from mid-March and, when the UK Government placed the country into lockdown on 23 March 2020, only a small number of key staff continued to attend site for critical work that could not be paused and to complete crucial maintenance functions.

With the lockdown very close to the group year end, the impact on the Institute's achievements and scientific outputs this financial year are minimal, but the impact will be felt in 2020-21 and is likely to continue in later years.

INSTITUTE FUTURE DEVELOPMENTS

In the immediate future, the Institute will implement a phased return to work as COVID-19 lockdown restrictions ease. The Institute is committed to providing a safe place of work, achieved through COVID-19 Secure Risk Assessments, social distancing and good hygiene practices, in alignment with government guidance and best practice.

The Institute will focus on the health, safety and wellbeing of staff, in order to understand the challenges our staff face and better support them during this time. There will inevitably be an impact on the delivery of Institute objectives as staff balance work on site and at home, caring and other responsibilities, and their health and mental wellbeing.

THE BABRAHAM INSTITUTE

REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2020

INSTITUTE FUTURE DEVELOPMENTS (CONTINUED)

The Institute aims to mitigate the risk to delivery as far as possible, and will continue to work with its strategic funder UKRI-BBSRC and other funders to support delivery. This includes, for example, arranging extensions for postdoctoral researchers who are nearing the end of their contracts and who have been unable to complete their projects as a result of the COVID-19 pandemic. The Institute has sufficient reserves to ensure operations can continue during the impact of COVID-19 - as explained within the Going Concern section in these accounts.

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 onwards.

The priority will be to ensure that all our UKRI-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 UK's departure from the European Union, with uncertainty as to the UK's participation in Horizon Europe, will have an impact. Grants currently running or due to start at the Institute from the Commission come to £7.4M. The Institute is following carefully opportunities for international collaboration from UKRI and beyond.

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.

GROUP FUTURE DEVELOPMENTS

As reported previously UKRI-BBSRC, Babraham Bioscience Technologies Limited (BBT) and BioMed Realty, announced a partnership for a long-term lease of approximately eight acres of UKRI-BBSRC owned land at the Babraham Research Campus, Cambridge, UK. Construction of the 108,000 ft² shell and core build and fit out programme is now complete. BBT is working with BioMed Realty and the tenants within these buildings providing facilities management services.

To further enhance the involvement of the business in supporting early-stage life science companies, in April 2019 BBT invested in a new investment fund and accelerator programme company, Start Codon. Start Codon will:

- Identify and recruit high potential life science and healthcare companies from across the UK and beyond;
- Provide seed-funding; and
- Leverage the world-class resources of the Cambridge cluster, reducing risk and preparing them for a successful Series A fundraise.

The accelerator will be the first within the Cambridge Cluster to provide life science start-ups with significant investment (up to £250k), a full-time dedicated team of experienced and active mentors. The Start Codon initiative is complementary to the ongoing Accelerate@Babraham programme with the campus being a location for companies graduating from the programme to locate to. Start Codon have recently announced the closing of their first £15M fund.

THE BABRAHAM INSTITUTE

REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2020

RISK MANAGEMENT

The Institute Board of Trustees 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 the Board of 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 of Trustees 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.

Risk Area	Description of Risk	Risk Management
Future UKRI-BBSRC research funding	UKRI-BBSRC current and future 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 UKRI-BBSRC to report performance and ensure strategic alignment of research programmes.</p> <p>Monitoring of performance of competitive grant submissions with emphasis on widening the pool of grant funders.</p>
Loss of research funding from other sources	The Institute or its Group Leaders become ineligible to receive funding from principal funding bodies as a result of lack of compliance with funders policies, i.e., regarding bullying and harassment or research misconduct.	<p>The Research Integrity Committee was established to oversee all aspects of research integrity within the Institute.</p> <p>The Committee will review current Institute policy and practise against Funder requirements to ensure compliance.</p> <p>Additional training will be put in place to ensure all Individuals adhere to the highest standards of professional conduct.</p>
The departure of the UK from the EU	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.	<p>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.</p> <p>The Institute has undertaken a risk assessment of its needs in the event of future disruption to supply chains - and stockpiled accordingly.</p>
Technology investment	<p>The Institute 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 UKRI-BBSRC to ensure alignment of technological capacity with research programmes.</p>

THE BABRAHAM INSTITUTE

REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2020

RISK MANAGEMENT (CONTINUED)

Risk Area	Description of Risk	Risk Management
Staff retention and recruitment	The Institute is unable to retain or attract suitably skilled staff to enable it to sustain its scientific performance.	<p>Career development programmes in place to support staff.</p> <p>Performance Management processes in place.</p> <p>Recruitment strategy and processes in place.</p> <p>The board of Trustee's recently instigated a review of staff pay and rewards to ensure pay remains competitive, benchmarking against a range of comparable scientific organisations.</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>A 5-year Business Plan developed for 2017-22 includes significant UKRI-BBSRC investment in BI facilities to support Estates Strategy.</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, or business disruption such as a pandemic, interrupts 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 & safety and relevant regulations from government agencies and internal auditors.</p> <p>Appropriate commercial insurance arrangements in place.</p>
COVID-19	Adverse impact of the COVID-19 pandemic on Institute staff and operations, resulting in the inability to meet key Institute objectives.	<p>A COVID-19 Secure Risk Assessment is in place, including mitigation for the following risks:</p> <ul style="list-style-type: none"> • The transmission of SARS-COV-2 on site by person-to-person transmission or contact with fomites (objects that can carry infection between people). • The impact of the pandemic and working conditions on the mental and physical wellbeing of staff. • The impact of the pandemic and working conditions on equality and diversity. • The maintenance of buildings and facilities on site during the pandemic. • Information security breaches due to new working conditions and an increase in fraud / scams during the pandemic. • The financial impact of the pandemic. <p>The Institute is implementing a phased return to work on site and supporting staff to work from home where possible in order to continue to deliver key Institute objectives.</p>

THE BABRAHAM INSTITUTE

REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2020

RISK MANAGEMENT (CONTINUED)

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 Group's internal auditors RSM to act as an independent internal audit service. The principal risks considered by the BBT Board include:

- COVID-19 the impact on the local cluster and wider economic impact.
- Significant drop in demand for the facilities on site;
- Change in Government support of UKRI-BBSRC; and / or
- Reduction in investment in the life-science sector.

FINANCIAL REVIEW

During the year, the group total reserves have increased from £170m at 31 March 2019 to £173m at 31 March 2020. As the Consolidated Statement of Financial Activities (page 26) shows the majority of this increase is due to gains on revaluations of tangible fixed assets. Restricted revenue funds decreased by £446k and unrestricted funds increased by £488k.

The individual results within the group shown below.

BABRAHAM INSTITUTE

Overall results for The Babraham Institute shows a decrease in total funds from £136m to £135m. Restricted revenue funds decreased by £446k, Restricted Capital funds decreased by £1,754k and Unrestricted Revenue funds decreased by £2,333k. Revaluation Reserves increased by £3,150k with the annual revaluation to Land and Buildings, totalling a decrease of £1,383k across all funds.

The Institute's deficit on unrestricted funds for the year of £2,333k compared to a deficit of £429k last year. The deficit before investment gains and losses is £3,393k and £3,343k respectively for 2019 and 2020.

	2020 £'000	2019 £'000
Deficit before Investment gains/losses – unrestricted funds	(3,393)	(3,343)
Fair Value adjustment to investment properties	1,250	1,658
Investment Income (dividends and interest)	532	669
Investment gains/(losses) - realised and unrealised	(722)	587
Deficit for year – unrestricted funds	(2,333)	(429)

Strategic funding from UKRI-BBSRC remained consistent for both years at £9.6m. Revenue income has increased by £2.1m from last year, with comparable expenditure increasing by £2.0m in the year 2019-20. Maintenance income from UKRI-BBSRC and related costs both increased by £0.7m, as did external grant income and costs by £1m.

Annual revaluations within the Institute (£3.1m) to land and buildings have further increased capital reserves in the year (note 9). Capital funds within the Institute continue to be released from capital reserves against depreciation charges in the year. During the year £1,765k of capital funding was received (2019 : £nil).

The Institute has continued to actively monitor its cost base and strive for efficiency savings where possible to ensure the Institute continues to maximise its operations based on the funding received.

The Institute continues to maximise its returns on funds by holding investments managed by Royal Bank of Canada. This allowed the Institute to benefit from investment income of £532k in the year (2019 : £669k).

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.

THE BABRAHAM INSTITUTE

REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2020

FINANCIAL REVIEW (CONTINUED)

BABRAHAM BIOSCIENCE TECHNOLOGIES LIMITED (BBT)

The profit for the year, after taxation, amounted to £4,723k (2019 : £7,093k). The movement in profit from 2019 to 2020 is in relation to revaluation movements of the 130 year lease Investment property. Trading results each year are comparable.

Operating profits were £3,541k compared to £2,936k last year. The profit for the year of £4,723k is as a result of a fair valuation adjustment for investment property of £2,066k. An adjustment charge in deferred taxation of £356k is in relation to the adjustment in investment property valuation. A gift aid payment of £500k was made to the Babraham Institute. Tax and interest are the further items that reconcile between the trading profit and actual profit for the year.

BABRAHAM INSTITUTE ENTERPRISE LIMITED (BIE)

Babraham Institute Enterprise Limited made a profit of £251k (2019: loss £349k). Excluding investment impairments (2018-19) and impairment reversals (2019-20) operating results are £110k profit for 2018-19 and £5k loss for 2019-20. In 2019-20 BIE disposed of a three patents (Intellectual Property) leading to a £42k loss on disposal and a further loss on disposal of £23k regarding the liquidation of Discerna in which BIE held shares. Staffing costs increased by £28k, and profits arising from sale of science services dropped by £22k due to a reduction in sales during the year.

Gift aid of £116k (2019: £87k) was paid to The Babraham Institute relating to the year 2019-20.

AITUA LIMITED

Results for the year for Aitua Limited report a profit of £408k (2018: loss £393k). Excluding investment impairments (2018-19) and impairment reversals (2019-20) operating results are £4k loss for 2018-19 and £53k loss for 2019-20, the loss higher in 2019-20 due to losses on disposals of investment following the liquidation of Discerna Ltd and Probe Scientific Ltd in which Aitua held shares. The company operating with minimal activity was liquidated on 22 September 2020.

FINANCIAL AFFECTS OF COVID-19 WITHIN THE FINANCIAL STATEMENTS

With the UK Government placing the country into lockdown on 23 March 2020, the Institute had already spent considerable time and effort since February preparing for such an event. This included the majority of staff working remotely from mid-March and key staff attending site only to complete critical work that could not be paused or carry out crucial maintenance functions.

With the lockdown very close to the group year end, impacts on the operating results for the year ended 31 March 2020 are negligible.

The Group and Parent face a material valuation uncertainty regarding the valuation of their land and buildings. The valuation of the land and buildings was carried out as at 31 March 2020 by Powis Hughes, Chartered Surveyors. The valuation of £85m has been prepared in accordance with the RICS Valuation – Professional Standards (January 2014 (updated April 2015)) at fair value. The outbreak of the Novel coronavirus (Covid -19), declared by the World Health Organisation as a 'Global Pandemic' on 11 March 2020, has impacted global financial markets. As a result of these conditions, the valuation has been reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation of land and buildings than would normally be the case. The directors have considered the valuation as a whole and consider it to be an accurate reflection of the fair value of the land and buildings.

The Group and Parent also faces a material valuation uncertainty regarding the valuation of its investment properties. The valuation of the investment property was carried out as at 31 March 2020 by Creative Places LLP Chartered Surveyors and Powis Hughes Chartered Surveyors. The valuation of £40,450k (group) and £5,450k (parent) has been prepared in accordance with the RICS Valuation – Professional Standards (January 2014 (updated April 2015)) at fair value.

THE BABRAHAM INSTITUTE

REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2020

FINANCIAL REVIEW (CONTINUED)

FINANCIAL AFFECTS OF COVID-19 WITHIN THE FINANCIAL STATEMENTS

The outbreak of the Novel coronavirus (Covid -19), declared by the World Health Organisation as a 'Global Pandemic' on 11 March 2020, has impacted global financial markets. As a result of these conditions, the valuation has been reported on the basis of 'material valuation uncertainty' as per VPS 3 and VPGA 10 of the RICS Red Book Global. Consequently, less certainty and a higher degree of caution should be attached to the valuation of investment property than would normally be the case. The directors have considered the valuation as a whole and consider it to be an accurate reflection of the fair value of the investment properties

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:

- Future operational and capital expenditure requirements;
- 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 of at least three months' unrestricted fund expenditure (in the region of £9m). Currently free reserves are around £22m and the trustees are satisfied that these reserves are sufficient to finance both the general reserve and provide the necessary funds to mitigate financial risks associated with operational and capital expenditure identified in the Risk Register.

The future impacts of COVID-19 could potentially see the Group use reserves to cover any period of reduced income. The group with free reserves of £22m remains well placed to continue to support activity, through use of these reserves to ensure operations and activity continues whilst the effects of Covid-19 continue to exist.

PRINCIPAL FUNDING SOURCES AND REVIEW OF EXPENDITURE

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

Expenditure incurred as analysed in the Statement of Financial Activities relates to Charitable Activities, including support costs. Commercial trading activities are shown separately.

Staff costs form the largest single component of group expenditure £16.5m (2018-19 £15.1m), followed by consumables (laboratory and general) £4.6m (2018-19 £4.5m), repairs and maintenance costs £3.4m (2018-19 £3.0m) and rent and rates £1.3m (2018-19 £1.3m).

Total expenditure for the year of £40.0m compares to £38.3m for the previous year, an increase of £1.7m and whilst there were movements within expenditure, the increase of £1.7m is mainly attributable to increases in staff costs as the Institute continued to recruit vacant group leader posts.

THE BABRAHAM INSTITUTE

REPORT OF THE TRUSTEES (INC THE STRATEGIC REPORT) FOR THE YEAR ENDED 31 MARCH 2020

FINANCIAL REVIEW (CONTINUED)

GOING CONCERN

The Babraham Institute is dependent on funding from the UKRI-BBSRC to meet its liabilities as they fall due within future years. As part of the Comprehensive Spending Review in 2016, Research Councils (of which the UKRI-BBSRC is one) received financial allocations for revenue and capital funding for the period ending in March 2022. Allocations for administration and capital were only fixed for the first three of those years (2017-18 to 2019-20) and were indicative for the years beyond to 31 March 2022. Funding for the year ended 31 March 2021 has now been confirmed.

Given that ;

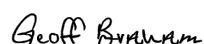
- the Institute receives a five year funding letter from UKRI-BBSRC with the first three years funding confirmed and the last two funding indicative;
- the Institute does not envisage any issues with funding in this quinquennium;
- the Institute in 2018-19 and 2019-20 was commended on its financial management following the annual Financial Assurance audit from UKRI-BBSRC;
- The recent 2019-20 Annual Financial Assurance audit from UKRI-BBSRC focussing on the UKRI-BBSRC funded expenditure – to ensure the Institute aligns its funding with research outcomes, was highly favourable;
- the annual research returns submitted by the Institute have all been favourable – this is used by UKRI-BBSRC to evidence why they provide on-going grant funding to institutes such as Babraham Institute;

the Trustees have no reason to believe that future funding from the UKRI-BBSRC will not be forthcoming at a level which, together with the sufficient reserves held by the Institute and its subsidiaries, is sufficient for the group to continue in operational existence for the foreseeable future.

The impact of Coronavirus on The Babraham Institute during the remaining two financial years of the current five year funding cycle (years 2020-21 and 2021-22) will affect operational activities. To this extent various scenarios have been explored including the impact of Covid—19 over a three month period and longer term. Forecasts will include elements of estimations and uncertainty as the impact of the Covid-19 situation cannot be accurately predicted and it is not possible to assess all future implications, however the level of uncertainty in our plans is not considered material.

Accordingly, after making appropriate enquiries, the Trustees consider the Group and Parent Charity has adequate resources to continue in operational existence for the foreseeable future being a minimum of twelve months from when these financial statements are approved. For this reason, the financial statements have been prepared on a going concern basis.

The Trustees' Report incorporating the Strategic Report was approved on behalf of the Board



Mr G Braham
Chairman of the Audit Committee, Trustee and Member
 Date: 10 December 2020