

Biotechnology and Biological Sciences Research Council

BIS Partner Organisations - Financial Management Review Programme

15 January 2013

Final Report

The report has been prepared on the basis of the limitations of scope set out in Section 1.4. For your convenience, this document may have been made available to you in electronic form as well as hard copy format. Multiple copies and versions of this document may, therefore, exist in different media. Only the final signed copy should be regarded as definitive.



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15 January 2013
Our ref: K/PSA/BIS PO/BBSRC

BBSRC Financial Management Capability Review

Please find attached the final report of our Financial Management Capability Review of the Biotechnology and Biological Sciences Research Council ("BBSRC"). This report has been prepared in accordance with the proposal submitted to BIS dated 14 November 2011 and the signed call-off contract dated 17 November 2011. This report reflects comments received from both BBSRC and BIS, and was discussed at a close out meeting with representatives from both organisations on 15 January 2013.

We draw your attention to our proposal dated 14 November 2011 which contains the scope of our work, and to Section 1.4 of this report on its use.

Yours faithfully

Gillian Russell
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Contents

	Page
Executive summary	1
1 Introduction	7
2 Background and other context	10
3 Methodology and results	23
4 Detailed assessment and observations	30
5 Best practice case studies and recommendations	38
Appendix 1: Information received	45
Appendix 2: Interview schedule	47
Appendix 3: Organogram for BBSRC Finance	48
Appendix 4: Institute Governance Structures	49
Appendix 5: Financial Information Requests	51

Executive summary

Introduction

This report is an output from the Financial Management review project sponsored by the Department for Business Innovation and Skills (“BIS”). The report aims to provide a summary of the good practices operating across the PO, Biotechnology and Biological Sciences Research Council (“BBSRC”), together with a view of opportunities for improvement and a draft action plan.

This review was initiated in July 2012 by way of a meeting with the BBSRC Sponsor Team, followed by a planning discussion with the BBSRC Director of Finance in September 2012. The approach adopted included a review of background material provided and a fieldwork phase, comprising a series of interviews with BBSRC finance and management teams and other senior internal stakeholders, which was carried out in October and November 2012. The fieldwork phase was followed by a period of analysis of the data collected, upon which a series of observations and findings, and opportunities for improvement are based. These were discussed with BBSRC and BIS to finalise this report.

Background and context

BBSRC is one of the seven Research Councils (“RCUKs”) funded by BIS through the Science and Research budget. The role of BBSRC is to invest in world-class bioscience research and training on behalf of the UK public in order to support scientists at universities and institutes throughout the UK. BBSRC’s main activity is the provision of funding for grants, fellowships and directly to universities on behalf of students. Investments are made in key strategic priority areas such as industrial biotechnology and bio energy, food security and research into new ways of working e.g. synthetic biology.

The organisation has a mature finance function and has outsourced a significant portion of transactional finance activity to the Research Councils Shared Service Centre (“RCUK SSC”).

Finance Diagnostic and approach

The approach to the work has been based on reviewing the current capabilities of BBSRC’s financial management against our best practice database, the Deloitte Finance Diagnostic Tool and the NAO Finance Maturity Matrix. Following initial discussions with the BIS Sponsor Team and the BBSRC Director of Finance, it was agreed to focus our review on:

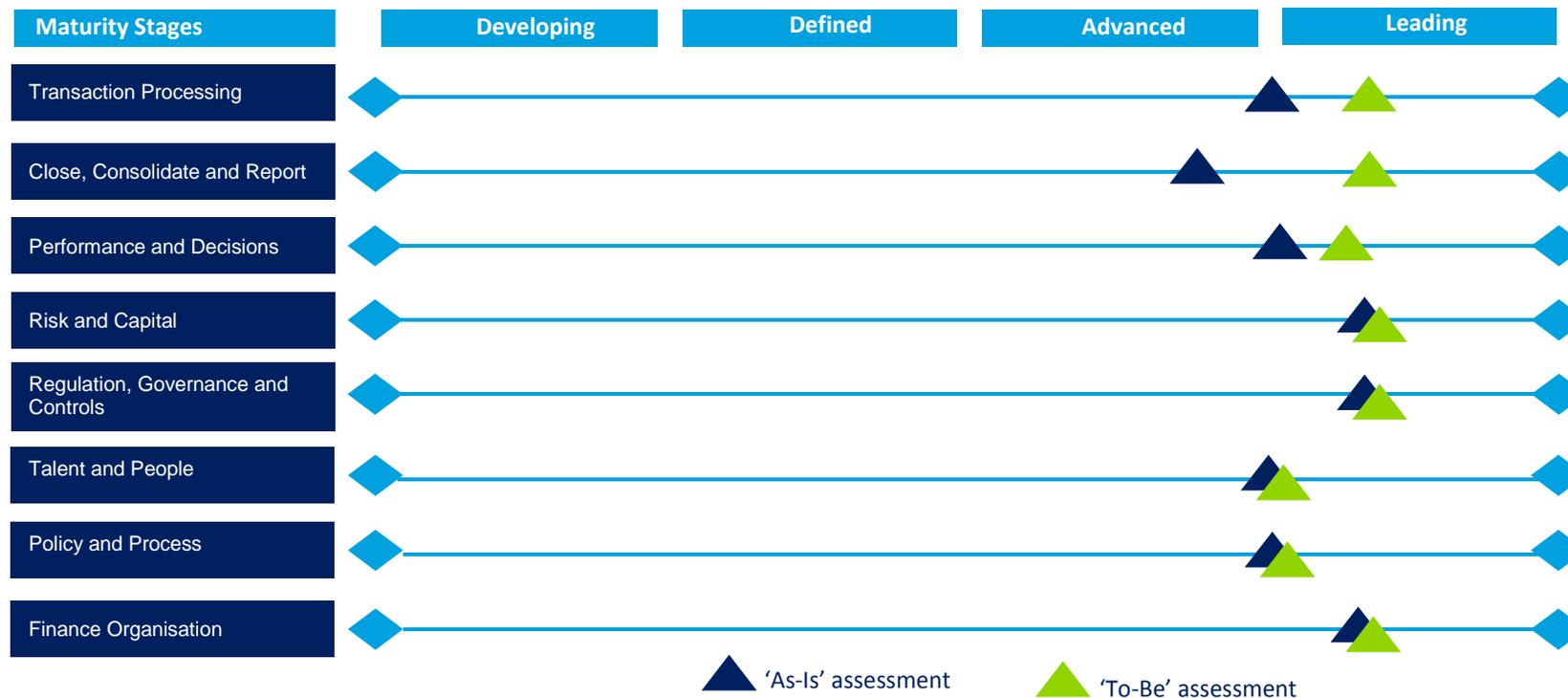
- Close, consolidate and report;
- Performance and decision-making;
- Risk and capital;
- Regulation and governance; and
- Talent and people.

Executive summary (continued)

Finance Diagnostic and approach (continued)

We have summarised our overall assessment of the financial management capability of BBSRC against the key themes (areas of activity) reviewed. This assessment was completed in conjunction with BBSRC, and consolidates the outputs from our review of the documentation provided, interviews with key BBSRC staff and stakeholders and finance self-assessment questionnaires.

We assessed the maturity of the key activities against best practice on a sliding scale from developing to leading. Our assessment shows that the maturity of financial management operating across BBSRC is on average assessed as “advanced to leading” across the key areas under review. The ‘to-be’ vision is a ‘stretch’ target based on best practice and key leading indicators and is based on our observations and findings from the review.



Executive summary (continued)

Summary of findings

The review rated the financial management capability across BBSRC between advanced and leading practice in all areas of the Deloitte Finance Diagnostic Tool. The results of the review highlighted a number of areas of best practice within BBSRC that BIS should look to implement across the PO family in order to improve efficiency and quality within the finance functions. The self-assessment by the finance team and the stakeholder assessments both scored very highly with the retained finance function commended for the close linkages between finance and the rest of the organisation and the quality of the talent employed within finance.

The review highlighted the following areas of best practice and good processes:

- The retained finance function, reflective of the culture of the RCUK, works in a very collaborative and joined-up way with the other RCUK departments. The Director of Finance believes the lengths his team go to is beyond 'business partnering' and that working relationships are closer than the 'partnership' relationship would suggest. This practice is led by example from the Executive Group ("EG") and is deeply embedded within the culture at BBSRC;
- The BBSRC finance function is proactive and plans well in advance for known reporting requirements. For example the finance function maintains detailed month- and year-end close timetables consistent with good practice. Where the BBSRC timetable excels is the inclusion of less frequent tasks into the timetable highlighting the attention to detail applied to the planning process;
- BBSRC finance function has an ethos of continual improvement and hold regular meetings between senior members of the department to review and improve their internal processes. The outputs of these meetings are 'lessons learned' and action plans to implement the recommendations. These lessons learned build in comments from the Audit Committee, the NAO and the internal audit function to ensure all views are captured and taken into account;
- The business cases produced by BBSRC are comprehensive and well prepared. The process of drafting a business case at BBSRC is highly collaborative, allowing for continual discussions between finance and estates throughout the drafting period. Expertise from both sides, as well as from the Institutes who will ultimately utilise the research facilities built under these capital projects, is combined into the document. Reviews of the bids are performed at Executive Board level within BBSRC; and
- BBSRC employs a flexible talent resource model through its back office functions (i.e. non-scientific employees) that allows for movement between departments. This enables employees to develop further skills and increase their understanding of the organisation. The model also provides the individual teams within the organisation with a wider skills base and a flexible finance resource as and when required. This is therefore beneficial to the entire organisation and as such is best practice talent management.

Other areas that contributed to the high grading of BBSRC include:

- the governance of relationships with the Institutes is well managed and good practice is being shared across the RCUKs by BBSRC;
- the quality of management information ("MI") within BBSRC is good, with clear and understandable information provided to Executive Group members;
- risk management processes are embedded throughout the organisation and capital projects are well controlled such that no overspends have occurred in recent years;

Executive summary (continued)

Summary of findings (continued)

- the strategic planning process is well established and the finance function has significant influence in this process; and
- the relationship with BIS is very good with regular two-way communication held.

BBSRC's retained finance function recognise that there are a few remaining issues within finance which relate to the quality of service provided by the RCUK SSC.

Since the migration of RCUKs to the Oracle platform there has been insufficient MI which has required RCUKs to develop manual work-arounds to produce both management and financial accounts. The process of stabilisation of service has been signed off as complete; however, issues still remain. In 2011-12 the limited assurance internal audit opinion of the RCUK SSC highlighted weaknesses in design and/or inconsistent application of controls. For 2012-13 the NAO has concluded that weaknesses continue to exist within the RCUK SSC's expenditure controls.

There is also concern that the RCUK SSC is beginning to take on new clients, whilst concurrently planning to implement the latest Oracle e-business suite for core BIS and partner organisations ("POs") processes. The go-live date for transition to the new system is 1 April 2013. There is some concern around the potential disruption to the current level of service as the range of new clients come on board. There is also concern that a lack of immediate interest in taking up grants services on the part of new customers may lead to a downgrading of its relative importance despite this functionality being critical to the RCUKs. Work is currently on-going between RCUK SSC and the RCUKs to consider this latter issue. The additional workload required to be performed by the RCUK SSC may impact on the RCUK SSC's ability to meet the CLoS timetable for the March 2013 year end.

A project was undertaken during 2011-12 to develop a suite of standard reports for all functional areas, i.e. grants, HR, finance, and this concluded in summer 2012. A subsequent project has been initiated ("PINGU") to improve the performance of the RCUKs' reporting tool, OBIEE, and to increase the speed in which data is returned. Work-to-date has led to improvements in the visibility of information for the RCUKs but is still some way from delivering the full capability of OBIEE.

A few areas of opportunity for practical improvement were identified, notably improvements to the flow of information from the RCUK SSC to BBSRC at month- and year-ends, and utilising further KPIs and highlighting significant variances within management reporting to allow for easier identification of changes in performance and arising issues.

Executive summary (continued)

Action plan

Opportunity Area 1 – Prioritisation of month end and year end processes		
<p>As noted in Section 4.1, the RCUK SSC provides all month-end reconciliations to BBSRC in one batch on working day 15. All year-end information is also received in one batch on working day 15. This can cause delays in BBSRC being able to perform their monthly and annual procedures, particularly analytical procedures which rely on the receipt of base financial information. BBSRC can view RCUK SSC reconciliations on the extranet as they are completed, but currently RCUK SSC reconciliations are performed in an order dictated by RCUK SSC rather than a phased basis which meets client requirements and priorities.</p> <p>In order to reduce any impact of these delays, BBSRC should aim to engage with the RCUK SSC to determine an order of priority of deliverables, particularly for the year-end reconciliations.</p> <p>Prioritisation of tasks can also include BBSRC performing some of the less material month-end accounting on the basis of estimates, such as calculating an estimate of depreciation, in the middle of the month to reduce the number of tasks to be performed in the three-day month-end window to allow other tasks to be performed. Actual figures can be produced on a quarterly basis to ensure the estimates are appropriate.</p>		
Suggested action to be taken	BBSRC response	Timeline
<ul style="list-style-type: none"> Identify priority order for deliverables from the RCUK SSC at month end and year ends and agree timetable of deliverables Identify balances where estimates can be calculated outside of the month end window 	<p>BBSRC, with all RCs, has engaged with the RCUK SSC regarding the prioritisation of yearend deliverables and is content with the SSC's proposed timetable of delivery for the 2012-13 year end.</p> <p>BBSRC currently provides regular feedback to the RCUK SSC on the monthly reconciliation pack, but agrees that there is scope to explore the prioritisation of deliverables outside of year end. BBSRC will review the month end deliverables with SSC for the 2013/14 financial year.</p> <p>BBSRC will review its month end process to identify whether there are any opportunities to use estimates.</p>	<p>Target date for completion: summer 2013</p>

Executive summary (continued)

Action plan (continued)

Opportunity Area 2 – Additional KPI reporting and use of materiality in management reporting		
<p>The management information provided to the Executive Group (“EG”) members is good and clearly provides detail on each of the expenditure categories and comparisons to forecasts and prior periods. Simple variance analysis is performed to demonstrate changes but no percentage variances or other details are included. The reporting is consistent on a month-on-month basis for ease of use.</p> <p>As noted in Section 4.3, there is scope to improve the management reporting by providing a set of focused KPIs and signposting variances, using percentages, based on a materiality consideration. This would focus the Board Members on the more important figures to aid decision-making.</p>		
Suggested action to be taken	BBSRC response	Timeline
<ul style="list-style-type: none"> Identify whether there are any appropriate KPIs the Executive members would appreciate being reported to them on a regular basis. Determine a materiality over which variances are determined sufficiently important to flag to the Board members for ease of identification. Consider whether balances which will never be material are worth reporting in this format at all. 	<p>BBSRC agrees that there is scope to explore enhanced management reporting and plans to review the current reporting ahead of the start of the 2013/14 financial year. BBSRC will consider KPIs and materiality as part of this review.</p>	<p>Target date for completion: start of 2013/14 financial year</p>

1 Introduction

1.1 Background

At the request of the Department for Business, Innovation and Skills ('BIS') Central Finance we have been engaged to partner with BIS and their Partner Organisations ('POs') to carry out financial management reviews of a range of POs. The objectives of this work are to provide a clear assessment of POs current financial management capability, to identify good financial practice operating within POs, and to ensure that this best practice is shared across the BIS family. The programme is designed to identify themes, weaknesses and opportunities for improvements to strengthen the overall financial management capability of each PO, and also to capture and follow up on areas of interest that arise from discussions with BIS.

BIS is seeking much greater rigour on all aspects of financial management across the BIS family, a significant reduction in public spending means that all entities across the BIS 'family' will encounter pressure to maximise the resources allocated. This will mean drawing on finance as a strategic partner to help steer and shape organisational progress towards the BIS collective plan. The reviews at the selected POs support the BIS Finance for the Future Programme and the 'blueprint' setting a road map to success in delivering BIS' ambition for finance.

The review is designed to deliver an assessment of the financial management capability of the Biotechnology and Biological Sciences Research Council ('BBSRC') in the context of the current environment, including the Finance for the Future priorities of BIS, the NAO financial management maturity framework and the wider developments in finance across central government including CLoS, single Chart of Accounts (CoA) and the HM Treasury-led Finance Transformation Programme. The context also includes BIS's commitment to the successful implementation of the RCUK SSC function that is expected in time to provide finance support to many of the POs.

The fieldwork for the review was undertaken during September and October 2012.

1.2 Purpose of this report

This report has been prepared following the Financial Management review project sponsored by BIS. The report aims to provide a summary of the good practices in financial management operating across BBSRC, together with a view of opportunities for improvement and a draft action plan. The draft action plan has been reviewed by BBSRC, management responses have been included and will be discussed at a meeting of BBSRC and BIS in January 2013.

1.3 Our approach

In carrying out our work we completed the following activities:

1. Project initiation meeting held with the BIS sponsor team on 25 July 2012 outlining our plan for the review and providing the BIS sponsor team with the opportunity to feedback key highlights and areas of focus of their respective PO. A planning discussion was also held with David Parfrey (BBSRC Director of Finance) on 5 September 2012 outlining the approach and confirming the context and key individuals within the organisation to interview.

1 Introduction (continued)

1.3 Our approach (continued)

2. A desktop review of background material and BBSRC/BIS reports, alongside one-to-one interviews with BBSRC finance and management teams were performed. These included:
 - structured interviews with senior internal stakeholders; and
 - a wider review of the strategic priorities of BBSRC, the NAO audit findings, the work of Internal Audit and wider developments in finance across central Government.

Detail of the information we had access to is listed in Appendix 1 and the list of people we interviewed is included in Appendix 2.

3. An analysis of the data collected and detailed understanding gathered from fieldwork allowed the team to review and analyse the information. We used our detailed understanding of central government requirements and knowledge of the current operating environment to inform our review and analysis. We:
 - gained a snapshot of the current environment; and
 - assessed the maturity of BBSRC's finance function, using various aspects of our Finance Diagnostic Tool methodology for the key areas outlined in the project scope.

This analysis allowed us to form the basis of the recommendations of the improvement actions needed to meet BBSRC's and BIS's needs.

4. In the final phase of the project we drew together the evidence gathered and data analysed through the above phases into the report. Based on this body of evidence we developed a draft report which included:
 - comments, observations and findings as required, providing a robust understanding of the finance function;
 - recommendations for change to bring the finance function into line with best practice, in the context of the needs of the organisation; and
 - discussed the draft report with BBSRC and BIS.
5. The draft report was discussed with BIS and BBSRC to ensure factual accuracy and a final meeting was held between BIS and BBSRC to discuss the key findings and action plan. The resultant action plan will be monitored as part of the wider BIS Finance for the Future Programme owned by the BIS Sponsor Team and reviewed at six-monthly progress discussions.

1 Introduction (continued)

1.4 Limitations and Use of this Report

Our Report is provided in accordance with our proposal to BIS (dated 14 November 2011) and the signed call-off contract (dated 17 November 2011) associated with this.

BIS is responsible for determining whether the scope of our work as set out in our proposal (dated 14 November 2011), is sufficient for their purposes and we make no representation regarding the sufficiency of these procedures for your purposes. If we were to perform additional procedures, other matters might come to our attention that would be reported to BIS.

Our Report is prepared solely for your exclusive use. Our Report is not to be used for any other purpose, recited or referred to in any document, copied or made available (in whole or in part) to any other person except as required by law without our prior written express consent. To the fullest extent permitted by law we accept no duty, responsibility or liability to any other party in connection with this report or this engagement.

We view this report as part of our service to BIS for use by BIS for internal purposes and it is to BIS alone that we owe a responsibility for its contents. We accept no duty, responsibility or liability to any other person as the report has not been prepared, and is not intended, for any other purpose. In the event that a third party asks to see this report, please ask for our consent before releasing it.

1.5 Structure of this Report

The following report is structured as follows:

- Section 2 – provides background and context to the operations of BBSRC;
- Section 3 – introduces the Financial Management diagnostic and approach to the work. The section sets out our summary findings from our field work, desk top review of documentation and self-assessment questionnaire against best practice;
- Section 4 – sets out detailed findings on the financial management capabilities within BBSRC; and
- Section 5 – details the identified areas of best practice within BBSRC and provides a series of suggested actions to address the development areas set out in section 4, together with BBSRC management's proposed response.

2 Background and other context

2.1 Background

The role of BBSRC is to invest in world-class bioscience research and training on behalf of the UK public in order to support scientists at universities and institutes throughout the UK. BBSRC was established by Royal Charter in 1994 by incorporation of the former Agricultural and Food Research Council (AFRC) with the biotechnology and biological sciences programmes of the former Science and Engineering Research Council (SERC). BBSRC is a non-departmental public body ('NDPB') governed by the BBSRC Council.

BBSRC policy is decided by Council members, who are responsible for the strategic direction of the organisation. There are currently 19 council members appointed by BIS, of which the Chairman is Professor Sir Tom Blundell FRS. Management of BBSRC is controlled by the Executive Group ('EG'), which currently consists of eight members with responsibilities allocated by division.

BBSRC's main activity is the provision of funding for grants, for fellowships and directly to universities on behalf of students. Investments are made in key strategic priority areas such as industrial biotechnology and bio energy, food security and research into new ways of working such as synthetic biology.

Funding is provided via grants to eight scientific research institutes ('the Institutes'). Each of these institutes undertakes research within the bioscience and biotechnology field but focus on different aspects such as health and wellbeing or agricultural and food science.

Grants are awarded to institutes on the basis of planned research, though BBSRC are developing a process by which the impact of the science funding can be measured, with the ultimate intention to define a vision of the expected outcome from the scientific research. This will allow for funds to be prioritised towards research that will prove more beneficial for the UK.

BBSRC are focused on three key strategic research priorities, as a way of maintaining advancements in world-class bioscience, and three enabling themes, as laid out in their strategic plan 2011-2015:

Strategic Priorities	Enabling themes
<ol style="list-style-type: none">1. Food security2. Bioenergy and Industrial biotechnology3. Basic bioscience underpinning health	<ol style="list-style-type: none">1. Knowledge exchange, innovation and skills2. Exploiting new ways of working3. Partnerships

2 Background and other context (continued)

2.2 The Institutes

Approximately 40% of the funding provided to BBSRC is spent via research grants to the Institutes. These Institutes, which are independent charities, have recently had changes to the governance structures in place with BBSRC moving from an active role on the governing board to an observer position. The exception to this is The Pirbright Institute where BBSRC maintain a Trustee role, as explained below. Devolving control over these Institutes has seen the Institutes set up under LLP structures and they are now not operationally managed by BBSRC. Each of these Institutes has their own Board of Trustees and sets their own research programme priorities.

There are three types of institute:

1. The Pirbright Institute (previously known as the Institute of Animal Health) is both a Charity and a Company limited by guarantee. This Institute is currently within the public sector, but the ONS are in process of reviewing this allocation with the possibility that it will be reclassified to the private sector. The Governance of the Institute is performed by a Trust and the sole shareholder of the guarantee. There are two trustees, the Corporate Trustee, BBSRC and the 'Natural Director', Tim Key. Each Trustee has equal responsibility and power. The sole shareholder is Professor Keith Gull, he has 100% voting rights and the right to appoint or remove Trustees at any time. BBSRC has no role in running, nor maintains any controls over, The Pirbright Institute.
2. Five institutes operate under a simple charity model being, the Institute of Food Research ('IFR'), The Genome Analysis Centre ('TGAC'), The Babraham Institute, The John Innes Centre and Rothamsted Research. These are registered charitable companies with an Independent Board of Trustees. In some cases BBSRC are the land owner for the sites:
 - a) IFR, TGAC and the John Innes Centre are co-located on the same site but BBSRC is only the land owner for IFR. The John Innes Foundation owns the land that the John Innes Centre and TGAC reside upon. This piece of land is adjacent to University of East Anglia ("UEA"). UEA and BBSRC have set up an LLP, which owns the total land of the site in order to pool the benefit of creating a research and innovation park.
 - b) BBSRC are not the land owners for the main site at Rothamsted Research, but do own the farm used by Rothamsted Research at North Wyke.
3. Two institutes are embedded into universities being the Roslin Institute (Edinburgh) and Institute of Biological, Environmental and Rural Science ("IBRES") (Aberystwyth). BBSRC fund the programmes and the two institutes are regarded as part of the BBSRC family but the staff are employees of the universities, they were transferred over between two to three years ago when control was transferred to the universities. By structuring the funding as programme funding, rather than grant funding, the universities are taking on the delivery risk.

Full details of the Governance arrangements are set out in Appendix 4. As BBSRC has limited or no control over the Institutes minimal financial reporting is received from these Institutes. Reporting is limited to an Institute Assessment Exercise every five years and submissions of requests for grant funding.

2 Background and context (continued)

2.3 Grants

BBSRC pay three main types of grants to the Institutes: Strategic Programme grants; Responsive Mode grants; and Capital grants.

The Strategic Programme grants are paid following the Institute Assessment Exercises which determine whether the institute is performing research that is strategically important for the UK. The Institute Assessment Exercise includes a review of the five-year business plans of the institute.

The Responsive Mode Grants are used when BBSRC wish to undertake research in a particular area. Details of the potential project are widely released to the Institutes as well as all universities and other research facilities. Equally a researcher can submit an application for funding to BBSRC at any time for consideration by a research committee specialising in the subject. Once applications are received from researchers these applications are reviewed by a research committee of peer reviewers. The peer reviewers, as experienced researchers, have sufficient knowledge of performing research projects to challenge the staffing arrangements, use of facilities and therefore budgets. The panel report to the grants award team, within the finance function, on the quality of the applications and the grants team compile these in a report to the EG. Larger grants, over £4m, are referred to the Council for approval.

The financial approval process is as follows:

1. the RCUK SSC will check and challenge the eligibility of costs in grant proposals, in line with BBSRC policies once proposals are submitted from researchers via the JeS system. The BBSRC grants team then check any queries from RCUK SSC regarding eligibility;
2. the peer review panels then challenge whether costs are appropriate based on their expert understanding of research requirements; and
3. once the grant round recommendations are made to Executive Group, EG has a detailed discussion including challenging whether the costs are appropriate. Additional discussions are held with the Director of Finance if there are capital elements in the grant.

The third common type of grant is a capital grant, which can be stand-alone or included within a Responsive Mode Grant application. All capital grants over £10k have to be approved by finance in advance of payment. This approval is granted as part of the standard process of approving grants. The BBSRC grants team present grant recommendations to EG for approval and as part of this, BBSRC Finance receives the report and checks the availability of capital budget. The EG challenges whether the equipment is necessary, or whether shared use of assets between researchers is possible. In order to further enhance this process an asset register is currently being drawn together across the whole sector to maximise asset utilisation. Cash is not paid until proof of receipt is provided to BBSRC.

An alternative mechanism to pay grants is the Strategic Opportunities Fund (“SOF”). This is a method used in occasions where additional funding outside of the allocated programme budget is granted by BIS and needs to be allocated quickly within the financial year, BBSRC allocate resource funding to this grant stream themselves from their annual allocations in order to cover in-year requests. Responsive Mode Grants can take up to a year to approve and therefore are not suitable to utilising this additional budget. The strategic opportunities are chosen by BBSRC and are often in collaboration with a scientific funding body from another country.

2 Background and context (continued)

2.3 Grants (continued)

Where funding from the SOF is being sought, the following process for approval is proposed:

- i. the originator seeks advice from the Finance Group on the availability of funds;
- ii. the originator produces a short “bidding” report for the EG in order to seek approval. The bidding document must have the support of the Director of Finance to confirm availability of funds in order to be considered by the EG;
- iii. EG will consider the bid to determine whether the case is consistent with BBSRC priorities and whether it warrants support in full or in part, subject to formal approval by the Chief Executive. The Director of Finance will supply a position statement on the SOF, in the event that approval is given and will manage the commitment and subsequent expenditure; and
- iv. the decision, whichever way, will be clearly minuted at the EG meeting. In the event that a decision is taken “off-line”, all Directors must still have the opportunity to contribute to the decision, and steps i - iii will still be required. Where this happened the decision will be formally ratified and minuted at the next available EG meeting.

The EG receives regular financial updates on the status of SOF opportunities and the Council are provided with an opportunity to ask questions.

In order to ensure sound financial management on behalf of the recipient of the grant a number of terms and conditions are set out in any grant offer. For example only the people nominated to receive the grant are allowed to utilise it, and any changes to cash flow across years or allocation of funds to individual projects, either within year or across years, must be approved in advance by BBSRC. BBSRC retains the right to cease the grant at any time and withhold any payments as necessary for ineligible expenses or poor performance on the project. A Project Board is set up to monitor the progress on each grant awarded and reports back to BBSRC on risk management, financial and scientific progress.

2.4 Benefits monitoring

BBSRC are currently improving their ability to demonstrate the impact of the research they fund. An ‘Impact Portal’ is being developed within BBSRC which is being used to record the direct and non-direct impact of funding scientific research, such as science that develops new commercial channels and jobs in the construction industry developing campuses in the UK. The EG are also developing a Benefits Realisation Framework which is initially being run at the Babraham campus, in doing so BBSRC are working with SQW to build a more sophisticated framework for measuring benefits of BBSRC capital projects.

2.5 Funding

BBSRC are operationally funded by BIS. BBSRC’s funding from BIS comprises a portion of the ring-fenced Science and Research funding. The Science and Research funding is a fixed level of funding of £4.6bn each year across all the RCs as well as HEFCE, national academies and other research programmes through to 2014-15.

2 Background and context (continued)

2.5 Funding (continued)

BBSRC's indicative resource budget at December 2010 for 2013-14 and 2014-15 is 97% of the budget granted in 2010-11, and 97.7% of the 2012-13 budget that BBSRC are currently operating with. This is shown in table 2.1 on the following page.

Details of the 2012-13 budget allocations, at the time of writing, are noted in table 2.3, as the science and research allocation budget has been impacted by minor revisions. In terms of cash received, the 2011-12 Grant-in-aid was a total of £481.6m, of which £123.9m (25.7%) was allocated for Capital projects. Additional income is generated from a number of sources, such as the other RCUKs (£5.4m in 2011-12), other government departments (£7.7m in 2011-12), other fund giving bodies (£1.6m in 2011-12) and from the EU (£0.1m in 2011-12). Further details of income and expenditure are noted in table 2.4.

Table 2.1 Science and research funding - resource

Resource budget	Baseline 2010-11	2011-12	2012-13	2013-14	2014-15	Total	Final year to Baseline
	£m	£m	£m	£m	£m	£m	
Research Councils	2,549.4	2,596.2	2,573.7	2,586.6	2,599.8	10,356.3	101.98%
Of which BBSRC	362.3	370.3	359.5	351.5	351.5	1,432.8	97.00%
HEFCE	1,731.3	1,662.1	1,699.6	1,685.7	1,686.3	6,733.7	97.40%
National Academies	87.8	87.5	86.5	86.5	86.6	347.1	98.54%
Other programmes	43.6	24.5	24.1	24.2	24.0	96.7	55.04%
UK Space Agency	163.8	205.6	192.0	192.9	179.2	769.7	109.41%
Total Science and research resource	4,575.9	4,576.0	4,575.9	4,575.9	4,575.9	18,303.5	100.00%

Source:

A breakdown of the BBSRC resource expenditure is detailed in table 2.2 on the following page along with the allocated capital budget for BBSRC which agrees to the Science and Research funding allocation document.

2 Background and context (continued)

2.5 Funding (continued)

Table 2.2 Estimated BBSRC expenditure by theme and capital budget

Resource budget	Baseline 2010-11	2011-12	2012-13	2013-14	2014-15
	£m	£m	£m	£m	£m
Global Food Security	101	104	104	104	104
Bioenergy	12	12	12	13	14
Industrial Biotechnology	20	22	24	26	30
Bioscience enhancing lives and wellbeing	17	17	17	17	17
Ageing	12	12	12	12	12
Other bioscience and skills	212	209	202	191	186
Resource Income	-12	-6	-12	-12	-12
Resource total	362	370	359	351	351
Depreciation / impairments	7	8	8	10	10
Capital	60	38	30	30	30

Source: BBSRC Delivery Plan 2011-15

This breakdown of expenditure is as per the BBSRC Delivery Plan 2011-15 and allocates spending towards each of the areas of strategic priority identified by BBSRC in their strategic plan.

2 Background and other context (continued)

2.6 Budgetary performance

Table 2.3 Outturn against budget and future budget expectations

Budget allocation	2010/11	2010/11	Variance	2011/12	2011/12	Variance	2012/13	2013/14	2014/15
(£m)	(budget)	(actual)		(budget)	(final)		(final)	(indicative)	(indicative)
Resource	373.8	373.0	0.8	377.8	375.7	2.1	367.4	361.6	361.6
Capital	108.5	108.7	(0.2)	119.0	124.0	(5.0)	103.3	61.7	83.2
Admin	-	-	-	29.8	28.0	1.8	28.9	24.6	24.4
Total	-	-	-	526.6	527.7	(1.1)	499.6	447.9	469.2

Source: Management information and 2012/13 allocation letter

NB. Admin budget and outturn information was not presented to the Council in 2010/11 and is therefore not included here.

The variances noted for the 2011-12 year includes an underspend on admin costs of £1m and a £5m capital overspend, both of these were agreed as targets with BIS during the year and are not indicative of poor budgetary control. The remaining admin underspend of £0.8m was due to depreciation costs which were lower than originally forecast by the RCUK SSC.

The reductions in the capital budget for 2010-11 to 2012-13 and the indicative capital budgets for 2013-14 and 2014-15 are reflective of a reduction in the base capital allocation from £59.5m in 2010-11 to £29.7m in 2012-13 and the cessation of funding for the construction of the Pirbright Institute campus from 2012-13 to 2014-15 from the Large Facilities Capital Fund per the Allocation of Science and Research funding 2011-2015.

Significant reductions are also planned in the admin budget, with an expected decrease of 14.9% from 2012-13 to 2013-14.

2 Background and other context (continued)

2.7 Financial performance

Table 2.4 Analysis of net expenditure for forecast figures for 2012-13 (2011-12 comparative)

(£000s)	2012-13 Forecast	2011-12 Actual	Variance	% variance
Expenditure				
Research and capital grants	423,077	408,038	15,039	3.7
Training awards and fellowships	60,083	63,749	(3,666)	(5.7)
Staff costs	11,274	12,796	(1,522)	(11.9)
Other operating costs	16,570	17,364	(794)	(4.6)
Research Institute staff restructuring	9,350	14,794	(5,444)	(36.8)
Non-cash items				
Depreciation, Amortisation and impairments	12,262	24,047	(11,785)	(49.0)
Loss on Joint Venture	2,486	1,736	750	43.2
Income				
Other operating income	(7,257)	(2,392)	(4,865)	203.4
Other grant income	(9,976)	(14,846)	4,870	(32.8)
Recovery of IT service to Institutes	-	(988)	988	100
Other Recoveries	(500)	(483)	(17)	3.5
VAT recovered	-	(41)	41	100
Net Expenditure after Interest	517,369	523,774	(6,405)	(1.2)

Source: Management information and BBSRC Annual Report 2011-12

BBSRC forecasts it will spend £423m on research and capital grants (compared to £408m in 2011-12). The increase of £15m (3.7%) in grant expenditure despite the decrease in resource and capital budget reflects BBSRC's continuing commitment to investing in world-class scientific research and in major scientific facilities. The increase in research and capital grant funding is compensated by a decrease in all other cost categories.

In 2012-13 BBSRC forecasts it will provide £60m for training and fellowship awards (compared with £63.7m in 2011-12), representing a reduction of £3.7m (5.8%).

Staff costs are forecast to decrease in 2012-13 from £12.8m in 2011-12 to £11.3m. This £1.5m (11.7%) decrease reflects the continuing public sector agenda of austerity, which includes restrictions on recruitment practices, public sector pension reforms and a freeze on public sector pay.

2 Background and context (continued)

2.7 Financial performance (continued)

Other operating costs in 2012-13 are forecast to decrease by £0.8m (4.6%) from £17.4m to £16.6m. Other operating costs include: BBSRC's Shared Services centre operating costs, computing expenses, travel and subsistence, rent, maintenance, staff training and audit fees. This reduction demonstrates BBSRC's commitment and ability to reduce costs and ensure a greater proportion of funding is used for research activities.

In 2012-13, research institute staff restructuring costs are forecast to decrease by £5.4m (36.8%) from £14.8m to £9.4m. In 2011-12 BBSRC received an additional ring-fenced budget allocation of £13.8m for restructuring costs from BIS and in 2012-13 has a similar ring-fenced budget of £8m for restructuring at strategically funded institutes.

Loss on Joint Venture relates to BBSRC's investment in the RCUK SSC – the 2012-13 figure is based on the RCUK SSC's forecast depreciation for the year. The 2012-13 loss is 43% higher than the previous year because RCUK SSC made a profit in 2011-12 but is forecast to be loss-making in 2012-13.

Operating income in total is forecast to decrease by 5.4% in 2012-13 due to a fall in other grant income. The majority of BBSRC's grant income is received from the UK public sector, so this decrease reflects the tightening of budgets across the UK Government.

2.8 Finance Organisation structure

BBSRC directly employs 285 staff across the UK and in Brussels and funds a further 1447 staff in institutes. The finance function, which is located at BBSRC head office in Polaris House, Swindon, employs 18 staff members. Of the team of 18, which includes the Director of Finance and Deputy Director of Finance, the following roles are performed:

Table 2.5 Roles of finance function

Team	Number of roles	Tasks and responsibilities
Financial Reporting	3	<ul style="list-style-type: none">• External financial reporting including statutory accounts for BBSRC and the RCUK Pension scheme and managing the audits for these accounts.• Performing the month-end close process including preparation of extended trial balances identifying major variances from budgets and overseeing the manual journals process.• Financial administration for the RCUK joint service units such as the Audit and Assurance Services Group and the Joint Building and Office Services team.• Assistance with the budget setting process and forecasting of expenditure.

2 Background and context (continued)

2.8 Finance Organisation structure (continued)

Table 2.5 Roles of finance function (continued)

Team	Number of roles	Tasks and responsibilities
Management Reporting	3 (1 vacant)	<ul style="list-style-type: none"> Financial analysis of results, preparation of budgets and preparation of internal financial reporting to the Board and to individual budget holders. Designing new MI to fulfil the necessary financial reporting throughout the entity, and assisting with the completion of CLoS and Whole of Government Accounts (“WGA”) returns to BIS.
Governance	2	<ul style="list-style-type: none"> Corporate Risk management and ensuring risk culture is embedded across BBSRC. Participating in cross-RC risk management and governance activities. Leading Managing the Risk of Financial Loss and reporting to BIS on it. Manage internal auditors and the relationship with the RCUK SSC. Oversee Finance’s relationship with BBSRC funded Institutes and ensure appropriate funding arrangements are put in place to deliver the Institute Assessment Exercise. Leading BBSRC’s Procurement strategy and ensuring compliance with procurement policies.
Post-Award Finance	7	<ul style="list-style-type: none"> Responsible for all post-award administration for all BBSRC schemes, dealing with policy issues generated either by the grant holder or research organisation via the RCUK SSC, for example grant extensions. Post-award finance issues dealing with specific budgets, Office budget for Research (Science) and Delivery groups. Dealing with the Co-ordination budgets for Research (Science) Group. Also all aspects of the budget commitments for BBSRC contributions to grants where BBSRC are not the lead funder. Responsible for monitoring and forecasting the Training budgets (Doctoral Training Programmes and Fellowships) awarded to Research organisations. Defining Studentship profiles for large grants. Management and payment processing of attendance fees for all BBSRC committees and panel members.
Stabilisation	1 (temporary)	<ul style="list-style-type: none"> General Oracle skills training. Training in Accounts Payable procedures and i-Procurement. Analysis of invoices to enable understanding of Oracle system created accruals. Investigation of Oracle ledgers to identify and resolve issues.

Source: Management information

2 Background and context (continued)

2.8 Finance Organisation structure (continued)

The full structure can be seen in the Organogram in Appendix 3.

Other reporting lines under David Parfrey (BBSRC Director of Finance) include the Research Council Internal Audit group, AASG, and the capital and estates team. The AASG perform the internal audit function across all RCUKs and of BBSRC's research institutes. The Capital and Estates team are responsible for maintaining the existing campuses and planning and controlling new developments, including performing the budgetary planning for the construction of the new buildings.

2.9 Shared Services Centre

The RCUK SSC owned and operated by the Research Councils via RCUK SSC Ltd has been delivering transactional services to the RCUKs since May 2008.

The transfer of all BBSRC transactional services to the RCUK SSC was finalised during the end of the 2010-11 financial year with financial transaction processing, grants processing and other services such as IT, HR, payroll and procurement all being transferred. The RCUK's migrated transactional finance services to the RCUK SSC between December 2009 and July 2010 in a phased transition. RCUK SSC "stabilisation" was then achieved two years later in summer 2012 following considerable changes to the initial scope and service provision offering from RCUK SSC Finance with several areas of work being returned to the retained finance teams (although with no further staff transfers between RCUK SSC and the RCUKs to reflect these movements in responsibility).

The RCUK SSC Assurance Board signed off the process of stabilisation as being complete however issues still remain. In 2011-12 a number of end-to-end shared business process audits were carried out by the RCUKs' joint internal audit function, the Audit and Assurance Services Group (AASG). The limited assurance internal audit opinion highlighted weaknesses in design and/or inconsistent application of controls at the RCUK SSC. AASG recommended a number of critical actions relating to the processes to mitigate the risk, which the RCUK SSC and RCUKs have been working to address during 2012-13. For 2012-13 the NAO has concluded that weaknesses continue to exist within the RCUK SSC's expenditure controls.

Development of the RCUK SSC was funded by the RCUKs, who were provided additional funding from BIS. This split of the cost was allocated to the RCUKs on the basis of FTE's at that point. In the first year of operations, it was decided by BIS, the RCUKs and RCUK SSC that the split of fees would be unchanged. In terms of usage, there is variation among the RCUKs and therefore some are overcharged while others remain undercharged. There is therefore an issue with the charging model; however, specific funding for the use of the RCUK SSC is not provided by BIS and as such there is not necessarily an appetite for change among all RCUKs. The RCUKs will continue to provide additional contributions to the RCUK SSC Development Fund in 2012-13 in order to fund essential improvement work to ensure service provision is of sufficient quality. Deloitte understand that BIS are currently in the process of developing a new charging model; however, this is not currently in place.

2 Background and context (continued)

2.9 Shared Service Centre (continued)

During 2012-13 the RCUK SSC is beginning to take on other new clients. A transition plan is in place for RCUK SSC to provide HR, payroll and finance services to core BIS and a number of BIS POs. Since 1 November 2012, the RCUK SSC has begun to operate three service hubs at Swindon, Newport and Billingham with a temporary hub in Cardiff. RCUK SSC is planning to implement the latest Oracle e-business suite with the intention of core BIS and POs' processes going live on the new system from 1 April 2013.

The expansion of RCUK SSC's client base presents the RCUKs with both threats and opportunities. It is expected that greater economies of scale will lead to reductions in unit costs and therefore in lower service charges. However, there is some concern around the potential disruption to the current level of service as a range of new clients come on board. There is also a concern that a lack of immediate interest in taking up grants services on the part of new customers may lead to a downgrading of its relative importance. Work is currently on-going between RCUK SSC and the RCUKs to consider this latter issue. The additional workload required to be performed by the RCUK SSC may impact on the RCUK SSC's ability to meet the CLoS timetable for the March 2013 year end.

Currently BBSRC's retained finance team is responsible for fulfilling BBSRC's statutory financial requirements, handling BIS/HMG requirements, fulfilling RCPS statutory financial requirements and working internally with policy colleagues to deliver the impact from BBSRC's strategy. All of these tasks require the retained finance team to have a strong understanding of BBSRC's business and strategy, and to work closely with colleagues across BBSRC. The RCUK SSC perform all other financial services, i.e. transactional processing and accounting.

Since the migration of RCUKs to the Oracle platform there has been insufficient MI which has required RCUKs to develop manual work-arounds to produce both management and financial accounts. A project was undertaken during 2011-12 to develop a suite of standard reports for all functional areas, i.e. grants, HR, finance, and this concluded in summer 2012. A subsequent project has been initiated ("PINGU") to improve the performance of the RCUKs' reporting tool, OBIEE, and to increase the speed in which data is returned.

Work-to-date has led to improvements in the visibility of information for the RCUKs but is still some way from delivering the full capability of OBIEE. In future, BBSRC would wish to see real-time reporting, fully functioning dashboards and a wider range of reports – particularly cross-functional reporting.

2.10 Financial information requests

Since the start of September 2012, BBSRC finance has received 14 different financial information requests from BIS. The majority of which relate to administration budget and efficiency savings. Most of these requests are of a one-off nature; however, some require monthly or quarterly reporting. The list of reporting is detailed in Appendix 5.

BBSRC find it difficult to estimate the amount of time it takes to respond to these tasks due to the variety of requests. Requests can take an individual between an hour to four days and often require input from the Director of Finance, HR or the RCUK SSC.

2 Background and context (continued)

2.11 Capital expenditure

BBSRC have recently been undertaking a number of high budget capital projects, such as the development of the Pirbright Institute.

BBSRC recognise that their skill at drafting business cases has been significantly improved by Zahir Sachak, a Grade 5 civil servant who is on secondment to BBSRC as Director of Major Programme Finance. He has played a key role in helping to develop BBSRC's approach to business case compilation. Furthermore, the close links between finance and other teams is demonstrated in the capital bid process to secure additional resources from BIS. The business cases produced and detailed planning evident within them is reflective of the joined up working between the teams.

At BBSRC the practice of managing budgets to minimise the risk of over-spending on any project is deeply embedded into the culture of the organisation. The Head of Estate Operations, who is responsible for project managing a number of these projects on a day-to-day basis, noted that he had never seen a capital project at BBSRC go over budget in his time at the RCUK.

The majority of capital projects are run by passing the risk and rewards to the Institute for whom the construction is being undertaken. The Institute is responsible for the construction of the property, in agreement with BBSRC, and has to manage the construction often via employment of specialist project managers. BBSRC will repay the Institute on the provision of proof of expenditure incurred.

Where capital projects are run in partnership with other entities, such as a private organisation, BBSRC retain the same governance arrangements regarding risks and rewards.

3 Methodology and results

3.1 Introduction

Our approach to the review of BBSRC’s financial management capability has drawn from the Deloitte Finance Diagnostic Tool as a framework to guide our work. This framework has been built based on our view of the key requirements of a best practice finance function. It incorporates the ‘Four Faces of Finance’ as well as the ‘Operational Design Framework’. An overview of both is given below.

3.2 Four Faces of Finance

Our ‘Four Faces of Finance’ helps to explain how the modern Director of Finance is expected to fulfil four key roles in an organisation; ‘Steward’, ‘Operator’, ‘Strategist’ and ‘Catalyst’ and in today’s climate the agility to balance these four disciplines is more crucial than ever.

The **Steward** and **Operator** roles are typically well understood. The **Strategist** role frequently focuses on the provision of quality information and financial analysis to support performance management and decision making. The **Catalyst** role (in the public sector) would, for example, proactively drive value for money analysis and expenditure reviews. From our experience the latter two roles are not as well developed in public sector organisations.

Catalyst	Strategist
Stimulate behaviours across the organisation to achieve strategic and financial objectives	Provide financial leadership in determining strategic business direction and align financial strategies
Steward	Operator
Protect and preserve the assets of the organisation	Balance capabilities, costs and service levels to fulfil the finance organisation’s responsibilities



Figure 3.1 - Four Faces of Finance model

3.3 Operational Design Framework

Deloitte has developed the ‘Operational Design Framework’ which considers the finance function from two perspectives:

1. by Value Driver, which underpins the four key roles of the finance function; and
2. by Enabler, focusing on individual statements which enable the performance of the value drivers.

Our approach has used this framework as a basis to assess BBSRC’s finance function to establish current performance relative to peer and government standards, using a tailored version of the approach.

3 Methodology and results (continued)

3.3 Operational Design Framework (continued)

Using the Deloitte Finance operational framework the role of finance is being assessed against six value-driven areas of activity, activities through which finance typically seeks to create value, and four “enablers” through which finance stakeholder expectations are met. These are shown in Figure 3.2, together with a short commentary on each.

As a result of initial discussions with BIS and David Parfrey (BBSRC Director of Finance), we focused our work on four value drivers and one enabler (circled below):

- Close, consolidate and report;
- Performance and decision making;
- Risk and capital;
- Regulation and governance; and
- Talent and people.

The 10 dimensions covered by our Diagnostic Tool incorporate the five areas of the NAO financial maturity model which are:

- Financial Governance and leadership;
- Financial planning;
- Decision-making;
- Monitoring and forecasting; and
- Financial and performance reporting.

All of these five areas are covered within the wider scope of our Finance Diagnostic.

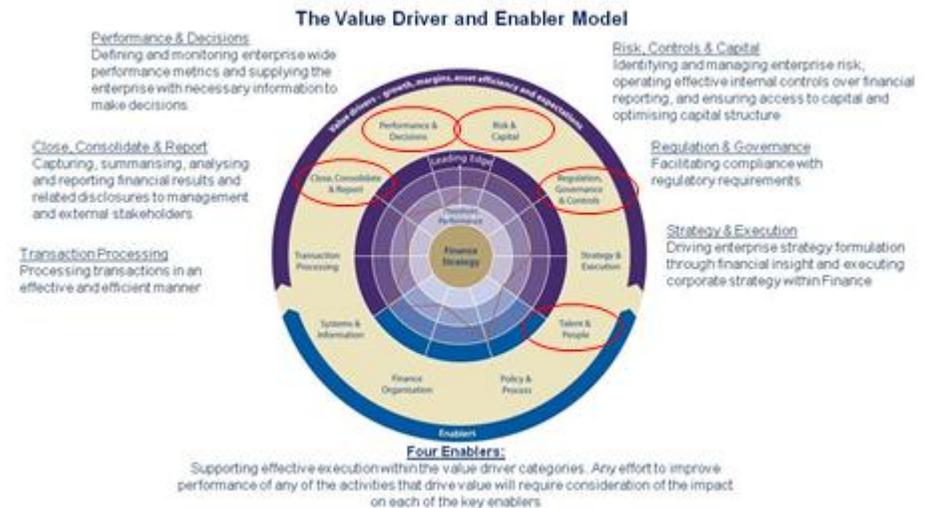


Figure 3.2 – Deloitte Operational Design Framework

3 Methodology and results (continued)

3.4 Methodology used in assessing current and future state

We asked selected 'users' of finance, Executive Group members and Budget Holders, to complete an assessment using the Four Faces of our Finance Diagnostic Tool to assess on a scale of 1-5 (with 5 exhibiting leading edge operation, 1 lagging) how the finance function is currently operating across each of the Four Faces, in order to identify the current view and future vision view of how Finance is performing within the context of the organisation's requirements.

Using the areas of focus noted above and details emerging from our desktop review a tailored questionnaire was provided to the Finance function to self-assess the organisation against statements of Best Practice on a scale of four points, from Developing (1), Defined (2), Advanced (3) and Leading (4) providing our view of the current 'As Is' performance, together with a view of desired future 'To Be' performance. These were mapped against the areas of our Finance Operational Framework as outlined on the previous page.

The remainder of Section 3 captures the high-level assessment and initial findings identified by our review.

3 Methodology and results (continued)

3.5 Finance Survey – Key Customers and Stakeholders

During the review our Project Team held meetings with key stakeholders and customers of the finance function throughout BBSRC (a full list of these interviewees is included in Appendix 2). As part of this meeting each stakeholder was invited to rank the performance of the BBSRC finance function by agreeing or disagreeing with statements of best practice on a scale of 1 to 5. Each of these statements corresponded to one of the 'Four Faces of Finance' as Steward, Operator, Catalyst and Strategist and so we were able to build a picture of how BBSRC Finance is operating in the context of the organisation and how BBSRC customers viewed the faces of finance that they were seeing.

Figure 3.3 shows the gaps identified between current and future performance of the finance function against the Four Faces.

The finance survey was distributed to five stakeholders who rely on finance and the finance function to be effective in their work, three of these stakeholders responded.

A score of 5 indicates that the respondent strongly agrees that the statements made reflect how BBSRC operates now and how it should operate going forward. A score of 1 represents that the organisation is seen to be poorly performing in the specific areas.

The scores from the survey responses received are shown in Figure 3.3. Stakeholders considered the finance function to be performing exceptionally well and did not identify any consistent areas for improvement.

The most consistently identified concern regarding the financial management across BBSRC was the minimal resources available within the finance function, which are due to be reduced further and cover needs to be found to fill these posts.

On average respondents rated the current performance of the finance function at 4.93, with an average future vision score of 4.98.

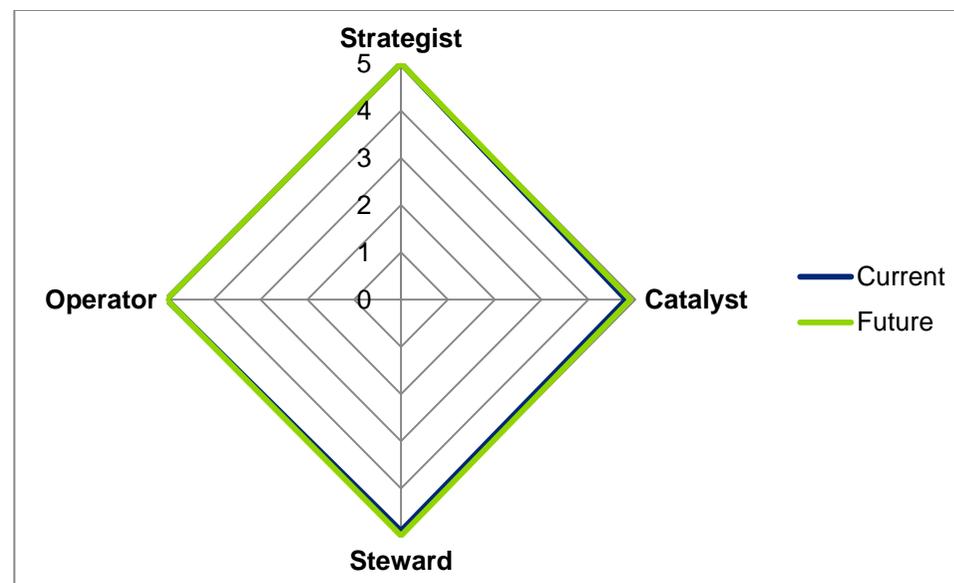


Figure 3.3 – BBSRC Stakeholder survey

3 Methodology and results (continued)

3.6 Finance Function Self-assessment

A self-assessment, by members of the finance function, of the finance management capability against the Deloitte Operational Finance Framework was undertaken. The finance team assessed themselves against a number of questions drawn from the Deloitte Finance Maturity Model on a scale of 1 (developing) to 4 (leading) for the current operations of finance – the 'As-Is' and the 'To-Be' desired future state.

The key findings emerging from each of the areas of the As-Is and desired To-Be states are shown in figure 3.4 below.

The average outcome for the **current state scored 3.54 (Advanced / Leading) against a desired future state average of 3.71 (Leading)**. The key items below are areas highlighted in the survey as having the largest 'gap' (reflecting BBSRC's emphasis on continuous improvement) to cover between the As-Is and To-Be states:

- The speed of closing the books and the analysis of information is limited by the speed of the service from the RCUK SSC and the limited automated reporting that can be taken directly from the Oracle system.
- Financial information is currently only produced on a monthly basis and there is no real time information available to Directors, this real time information would be possible if RCUK SSC systems were fully enabled and was noted as information that would improve decision-making by David Parfrey (BBSRC Director of Finance).
- In performing financial analysis limited use is made of data from external sources for benchmarking purposes, where data from other RCUKs could be used.

	Current As-Is	Future To-Be
Transaction processing	3.55	3.75
Close, consolidate and Report	3.28	3.72
Performance and decisions	3.35	3.62
Risk and capital	3.85	3.85
Regulation, controls and governance	3.81	3.81
Talent and people	3.41	3.48
Policy and process	3.47	3.47
Finance organisation	3.80	3.80

Further details can be found in the details findings in section 4.

Figure 3.4 – Finance self-assessment summary

3 Methodology and results (continued)

3.7 Overall assessment and observations – Deloitte view

The figure below summarises our overall assessment of the financial management capability of BBSRC, against a number of key criteria that we consider within assessing the key themes listed below. This assessment has been completed in conjunction with BBSRC, taking into account our review of documentation provided, interviews with key BBSRC staff and stakeholders and the finance self-assessment questionnaires.

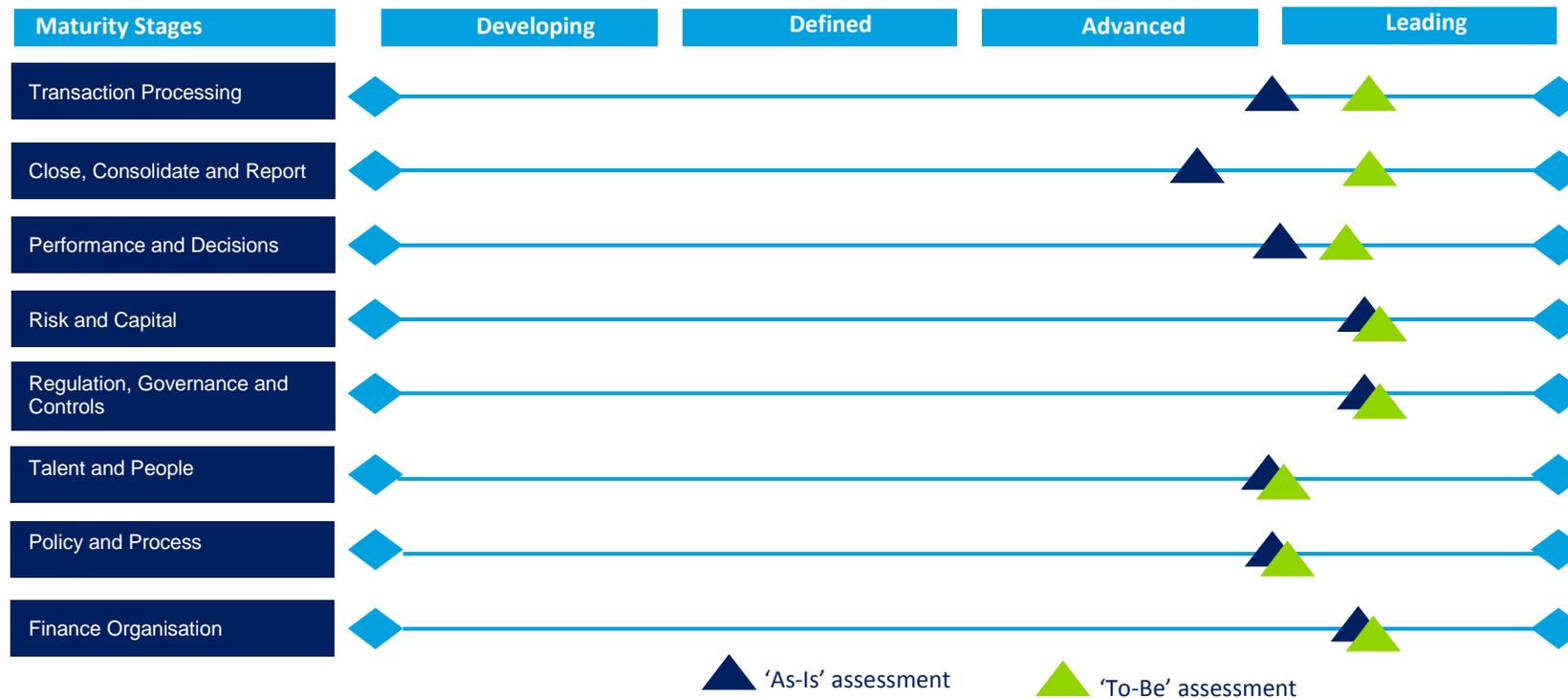


Figure 3.5 – Deloitte view of financial management capability in BBSRC

A summary of the findings and the judgements that support these ratings is detailed in section 3.8 below.

3 Methodology and results (continued)

3.8 Summary of findings

The review found the financial management capability across BBSRC to fall between advanced and leading practice in all areas of the finance wheel covered. The review highlighted the following areas of best practice and good processes:

- The month-end close process takes three days and the month-end timetable details each month individually and therefore contains tasks that are performed on a quarterly or annual basis. This highlights the level of planning performed within the finance function.
- Finance maintains a 'lessons learnt' document to ensure that knowledge is retained and actions can be tracked to resolve any issues arising.
- Transaction processing is performed by the RCUK SSC and complex accounting is performed by the retained finance function.
- The governance of relationships with the Institutes is well managed and good practice is being shared across the RCUKs by BBSRC.
- The quality of MI within BBSRC is good, with clear and understandable information provided to EG members.
- Risk management processes are embedded throughout the organisation and capital projects are well controlled such that no overspends have occurred in recent years.
- The relationships between finance and the wider organisation are very close and indicative of a collaborative and high performing working environment.
- Policy and process documentation is of high quality.
- The finance function is staffed with professionally qualified staff or staff who are studying for a qualification.
- BBSRC employ a flexible resource model which allows up skilling of staff in finance management through rotations across the organisation and enables redeployment of additional finance resource as necessary during peak times.
- The strategic planning process is well established and the finance function has a significant influence into this process.
- The relationship with BIS is very good with regular two-way communication held.

A few areas of opportunity for practical improvement were identified, notably improvements to the flow of information from the RCUK SSC to BBSRC at month and year ends, and utilising further KPIs and highlighting significant variances within management reporting to allow for easier identification of changes in performance and arising issues.

4 Detailed assessment and observations

In this section we have considered in detail BBSRC's competency for each of the value drivers and enablers of the Deloitte Operational Finance Framework. Areas of strength have been highlighted as case studies for best practice across the POs together with any identified opportunities for development. Each area of the Finance Diagnostic Tool will be discussed in turn, with focus being placed on the five areas identified in Section 3.3:

- Close, consolidate and report;
- Regulation, controls and governance;
- Performance and decision-making;
- Risk and capital; and
- Talent and people.

4.1 Close, consolidate and report

Close, consolidate and report covers the month- and year-end close processes as well as the internal and external reporting processes. The internal financial analysis reporting process and the management information produced is discussed within section 4.3 as this reporting is closely linked to decision-making. The self-assessment scores and the stakeholder survey both indicated BBSRC's month-end close process is timely and produces accurate data. It was recognised as an area of focus due to the interaction with the RCUK SSC.

The month-end close process is completed by working day three of each month. This timetable has not been in place long and is significantly reduced from the previous arrangements. The timetable was reduced from eight working days. The five-day reduction has arisen from performance improvements at the RCUK SSC and only minor changes were made within the BBSRC finance function. No significant areas for reduction have been identified within the internal BBSRC timetable, however further marginal gains in the timetable could be made if the RCUK SSC prioritised the information that financial analysis is dependent upon. The RCUK SSC then provide a full pack of account reconciliations by working day 15 which BBSRC use to ensure the opening position for the next month end is correct. Working day 15 is too late for these reconciliations to be taken into account in the previous month end.

The monthly timetables are detailed individually for the entire financial year, including annual tasks such as setting up the year-end statutory accounts template and planning 'lessons learned' meetings with the RCUK SSC and other RCUKs. While this takes additional effort compared to a generic month end template, it demonstrates a level of planning and attention to detail that is significantly above average across the POs.

To assist with the month-end close, management should look for tasks which could be performed in advance of the period-end close, such as calculation of estimates, to reduce the number of tasks currently performed within the month-end close period and ease the burden upon the finance function during that time.

4 Detailed assessment and observations (continued)

4.1 Close, consolidate and report (continued)

At the year end, the provision of information from the RCUK SSC is such that the RCUK SSC provides all financial data, including reconciliations, to BBSRC in one deliverable once all accounting has been performed. This information was received by BBSRC on working day 15 in 2011-12. BBSRC therefore cannot perform any procedures until this data is received. Management highlighted that if they were able to receive information as it became available, in an order of priority, the year end close process would be quicker. It has been noted that for 2012-13 the RCUK SSC are planning on delivering the information to BBSRC on working day 8, though the majority of this will still arrive in one batch.

The year-end close timetable is extremely well planned, a detailed task list of over 250 tasks has been prepared, each with a priority rating, due date and person responsible. The timetable contains tasks to be performed from mid-February until the end of the audit process in July.

The planning for the annual report document is also well prepared, the template for the 2012-13 stats was prepared during the August 2012, including having all prior-period figures inputted and containing details of which other departments are responsible for the content, such as the Chairman's statement.

The NAO has qualified BBSRC's statutory accounts for the last three financial years (2009/10, 2010/11 and 2011/12) as they did not prepare group financial statements to consolidate the Institute of Food Research and the Babraham Institute. The external auditors deemed that both institutes should be classed as subsidiaries as BBSRC exerted an element of control over them. Whilst BBSRC accepted in principle that there was an argument to consider consolidating these institutes under the new IFRS introduced in 2009/10, they did not agree that the Institutes were subsidiaries, and did not consider it cost-effective to make the necessary adjustments. This would have cost the public purse tens of thousands of pounds and would have had no long term benefit as changes to the governance arrangements were in process that would remove remaining doubts about the level of control that could be exerted by BBSRC, this work was completed during FY2011/12. It appears likely from recent discussions with NAO that the 2011/12 comparative figures in BBSRC's FY2012/13 accounts will also be qualified.

To help with the planning for the year end, BBSRC finance also maintains a 'lessons learnt' document. This document contains the lessons learnt during the year end close process from the 2010-11 and 2011-12 year ends and suggests improvements for future year ends, so that knowledge is maintained, an example of a lesson learnt is 'Fixed asset register naming convention needs reviewing to include maps with asset names'. These lessons learnt together, with the NAO management letter, are compiled into a detailed action plan for the following year end. This level of planning and documentation clearly represents best practice throughout the POs. The NAO completion report and management letter did not identify any significant issues but did provide a number of practical recommendations.

4 Detailed assessment and observations (continued)

4.2 Regulation, controls and governance

Regulation, controls and governance is the value driver on the Deloitte Operational Design framework that ensures compliance with regulations. It was identified as a key area of this review due to the relationships with the Research Institutes and the RCUK SSC.

The governance function at BBSRC is headed by Paul Hallam (previously a member of the RCUKs Audit & Assurance Services Group ('AASG')) who reports to the Director of Finance via the Deputy Director of Finance. The governance function has a role in all areas of financial management, including risk management which is discussed in section 4.4.

The finance function self-assessment noted a strong performance in this area. The NAO 11-12 audit report did not identify any significant weaknesses in the internal control framework and no issues were noted regarding fraud, the management of information and personal data or compliance with regulations. The internal audit report provided BBSRC with a 'substantial assurance' opinion, stating that a basically sound system of internal control exists, but there were a few weaknesses that may put achievement of some system objectives at risk. This is a strong rating and evident of a robust internal control framework.

Governance of the arrangements between BBSRC and a research institution is set out in a 'Grant agreement' and a letter of funding. The relationships between BBSRC and the Institutes have been adjusted over the last year with BBSRC now holding no control over the Institutes and holding only an observer position on the Boards of the Institutes. The benefit of this arrangement is that BBSRC can independently judge an institute on the quality of the scientific research being performed rather than funding an institute to allow it to survive. This will then allow the Institutes to approach other RCUKs that are more aligned with its area of expertise for funding. However, the Institutes are still heavily dependent upon BBSRC funding and in most instances BBSRC is also the land owner of institute premises. In recognition of this, the AASG have recently undertaken a review of the 'Governance of Institute Relationships'; however, the final report has not yet been issued to BBSRC.

The change in relationship status with the Institutes means that BBSRC maintain no direct control and the science produced by an institute is peer reviewed and evaluated. Information requests from the Institutes are now limited, reflecting the independence granted, and focus on scientific reporting and information regarding fraud. BBSRC no longer ask for a detailed annual business plan. BBSRC will continue to undertake a five-year Institute Assessment Exercise through which the level of funding over the next five years is determined.

A further governance process employed by BBSRC is the use of annual Delegation letters. Responsibilities are formally delegated to Executive Board members through the use of Delegation letters from the CEO setting out expectations of them at the start of each financial year. This letter also details the budget allocation to each Executive Director and requires positive confirmation from the Executive Director that they understand the terms of delegation and will operate their divisions with appropriate policies and processes to fulfil the requirements of the letter.

One area where BBSRC should consider is, given the independent status of the Institutes, whether poor performance in one area of scientific research is taken into account when awarding new grants to that institute. This would help to reinforce the independence and reduce the inherent reliance on BBSRC grant awards.

4 Detailed assessment and observations (continued)

4.3 Performance and decisions

Performance and decisions relates to the monitoring of the performance of the organisation and making decisions about organisational activities. Both of these tasks are critically important within the public sector in order to ensure value for money and achieve the strategic objectives of the organisation. In order to be able to perform these tasks the management information ('MI') produced by the finance function must be high quality and of an appropriate quantity and format.

The current quality of information provided to the Board members is good and variances with budget are detailed. BBSRC should consider whether it would benefit from additional KPI reporting and use of materiality to identify key issues and major variances to aid signposting of the information.

BBSRC use the RCUK SSC to perform its transaction processing and therefore relies heavily upon it for the base financial information. Since the RCUK SSC was set up, the information provided to BBSRC has been in an inaccessible format not conducive to financial analysis. BBSRC's retained finance function has to perform a significant amount of manual intervention to create the MI necessary to run the organisation. A number of cross-RCUK projects have been run with the RCUK SSC in order to produce better quality information directly from the Oracle system, and while significant improvements have been made the process is on-going, the current project PINGU is being led on behalf of the RCUKs by BBSRC.

Management note that once the MI projects are completed and that all RCUK's are happy with the MI provided by the RCUK SSC the ultimate step will be to utilise fully the Oracle reporting tool 'OBIEE'. This tool will allow for real-time financial information to be summarised on tailored dashboards for each Research Council. This tool will reduce the manual interventions required in the processing of MI and allow for decisions to be made with up-to date financial information throughout the year and not just at month ends.

There is concern that the on-boarding of BIS finance into the RCUK SSC could disrupt the on-going projects and the full use of OBIEE may be significantly delayed. There is also concern that the RCUK SSC will not be able to maintain the current service levels or meet future requirements when the RCUKs are no longer the primary client/owner of the RCUK SSC. In order to respond to this risk, cross-RCUK practitioner service groups ('PSGs') have been set up by function, i.e. Finance, HR and procurement to have monthly meetings with the RCUK SSC and maintain continual communication regarding the extent to which resources are planned to be left for the Research Council's needs.

The RCUK SSC has maintained they will continue to provide a good level of service both in transaction processing and in MI improvement. BBSRC continue to communicate the lessons learned from the transition to the RCUK SSC to BIS to ensure any additional disruption is minimised.

While OBIEE is the expected long-term solution, a trial has been performed by STFC of Hyperion to supplement the management reporting from the RCUK SSC. BBSRC would like to see this system implemented across the RCUKs on the basis of the positive feedback from STFC.

4 Detailed assessment and observations (continued)

4.3 Performance and Decisions (continued)

We note that there is no use of an Activity-Based Costing model within BBSRC and while this is by no means crucial to the ability of finance to manage cost within the organisation they can be useful tools to allow prioritisation of expenditure which will be important in reduced funding environments. However, management must consider whether the benefit derived from the model would be worth the extensive effort it would require to set it up.

4.4 Risk and capital

Risk management within BBSRC is monitored closely and the risk register has been noted as being thorough and clear in providing an overall view of the risks facing BBSRC and the identified mitigating controls. It is used to aid discussion at monthly 'Operational Executive Group' meetings and was noted by the Chair of this Executive Group to be high quality and functional.

It is noted however that the risk register is limited in its use due to being hosted in Excel. BBSRC are researching what alternative tools can be used to contain the risk register, and due to similarities between the RCUKs operations, BBSRC are considering whether a cross-RCUK risk management platform would be a robust and efficient solution to allow simple reporting of all Research Council risks to BIS. A platform such as this is likely to be of benefit to BIS as the common RCUK risks are likely to be risks to BIS as well.

BBSRC is responsible for the operation of the internal audit joint service unit, AASG. This internal audit function provides services on a cross-RCUK basis, using a risk based approach to identifying areas of focus, for example the RCUK SSC and the institute relationships. The quality of the reports produced by this group is good, and action plans are created on the basis of these reports in BBSRC to ensure resolution of any issues arising.

BBSRC are currently undertaking a number of capital construction projects to build or develop existing scientific research laboratories. These projects are managed closely by BBSRC due to the embedded culture of avoiding any projects going over budget. The Head of Estate Operations noted that he had never seen a capital project at BBSRC go over budget in his time at the RCUK.

The majority of capital projects are run by passing the risk and rewards to the Institute for whom the construction is being undertaken. The Institute is responsible for the construction of the property, in agreement with BBSRC, and has to manage the construction often via employment of specialist project managers. BBSRC will repay the Institute on the provision of proof of expenditure incurred.

Where capital projects are run in partnership with other entities, such as private organisations, BBSRC retain the same governance arrangements regarding risks and rewards.

4 Detailed assessment and observations (continued)

4.5 Finance organisation

The finance organisation is the enabler that relates to the structure and role of finance function within an organisation. Finance is located in Polaris House, Swindon where the retained finance function reside as does the RCUK SSC. The roles within finance are fully defined and whilst not documented formally, each member has a good understanding of the role they are employed in.

The finance function within BBSRC contains both the Estates team and the AASG, with retained finance and estates located within the same office space. The culture of BBSRC is that there are no siloed departments within the organisation. This means that the finance function is not seen as solely responsible for accounting and should have no further role in the rest of the organisation. The finance function therefore, rather than having regular meetings with members of other departments, is in constant communication with the rest of the organisation.

The joined up nature of finance and the rest of the organisation is epitomised by the creation of joint objectives for members of the finance function with staff in other department, for example Victoria McMyn, Deputy Director of Finance, has a joint objective with her equivalent counterpart Karen Lewis in the Skills and Innovation department. This behaviour is reflective of a strong finance function which continues to look to improve and develop.

Furthermore the close links between finance and other teams is demonstrated in the capital bid process to secure additional resources from BIS. The business cases produced are evident of the joined-up working of the teams.

The finance function is clearly seen as a Centre of Excellence within the organisation and the value provided by the finance function to the rest of the organisation is clearly reflected in the stakeholder survey responses in section 3.5.

The relationship finance has with other RCUKs and the RCUK SSC have been noted as being good by a number of the stakeholders interviewed, evident by BBSRC leading on MI projects and BBSRC providing lessons learnt on the disposal of The Institutes to MRC in the transfer of some of its research units to universities. Regular cross-RCUK finance meetings are attended by the Deputy Director of Finance and ensure close ties between the RCUKs, however it was noted that there is scope for further sharing of working practices for example the construction of MRC's Aries building and BBSRC's Babraham construction project were very similar buildings in the same location but utilised completely separate project management and construction processes.

4 Detailed assessment and observations (continued)

4.6 Talent and people

The BBSRC finance function contains a number of highly skilled individuals, and all members of the team are either qualified or undertaking a financial qualification. BBSRC finance is considered to be among the most desirable finance functions to work in within the RCUKs, as noted by two recent joiners to the BBSRC finance function, and therefore should be able to attract talent as required to fill vacancies.

The retained core finance function is small with only six roles, other than the Director and Deputy Director of Finance, responsible for the management accounts and the financial accounting. One member of the finance team is currently employed in a temporary role; the role was designed to smooth the transition of accounting systems to the Oracle system used by the RCUK SSC and now that this role is complete this role will cease. With the departure of this individual, the main source of technical Oracle knowledge will be removed from the finance function and BBSRC finance must ensure that all required knowledge is retained within BBSRC to avoid business continuity difficulties.

Additionally, the Deputy Director of Finance is due to go on maternity leave from January 2013, and while BBSRC are already advertising the post for the duration of this absence and confident of finding an appropriate person, it is important that the hand over to the temporary employee is sufficient to allow the key periods such as the 2012-13 year end are managed to the same level as prior periods and best practice processes are not discarded.

The finance function senior management maintains an ethos of continual staff improvement, and encourages staff to develop their skills and further their careers. While these issues are discussed between the senior management team, there is scope for additional communications across the team to highlight the opportunities available and promote additional training courses to the team. This additional communication will reinforce the message of continual improvement and help to generate an environment where individuals are always looking to develop their own skills; this in turn will aid staff retention.

4.7 Policy and process

The policies and processes for financial management in BBSRC are well understood throughout the finance function and the quality of documentation that exists is good. There are instances where the documentation is not fully complete, for example the 'COP017 BBSRC Management Accounts' process document, and to move towards best practice all process documentation gaps should be identified and resolved. This issue has been mitigated by the high level of staff retention and knowledge of the organisation within the finance function.

4 Detailed assessment and observations (continued)

4.8 Transaction processing

Transaction processing is performed by the RCUK SSC. Whilst there have been some issues with the RCUK SSC, there have been no noted issues with the invoice processing and no significant issues in hitting the Critical Performance Indicators ('CPI') targets set for them by BBSRC, i.e. payment of invoices within five days of receipt in line with HMG prompt payment target.

The scope of the finance activities performed by the RCUK SSC includes processing of all invoices, project accounting, processing of grant payments including reviewing grant applications for eligible costs, and performing month-end and year-end close processes including producing reconciliations of all accounts.

The project accounting within BBSRC is a material area on the basis of the number of large construction projects being undertaken, for example DP1 and DP2 at Pirbright. The Estates team are responsible for the running of these projects and use robust manual project management methodologies in order to track progress, costs and achievement of milestones. As the Estates team ultimately report to the Director of Finance, and the team sits side by side with the core finance function, the communication between the teams is excellent allowing for sharing of budgets, cost plans, commitments and actual costs paid to date.

4.9 Strategy and execution

Strategy and execution was identified by the BIS sponsor team as an area where BBSRC are strong. This view was confirmed by the long-term financial planning noted within BBSRC, specifically the forecasting of the grant and funding commitments for future periods. The strategic plan 2010-2015 details the type of scientific research to be focused on and with the science budget being confirmed and ring-fenced for the remainder of the CSR period, BBSRC has been able to create a long-term financial view of the operations of the organisation.

4.10 Systems and information

The systems utilised by BBSRC are limited to the Oracle financial accounting system used by the RCUK SSC. Deloitte have not performed a detailed review of this area due to the recent installation of this system and the on-going work to utilise the system to its full potential as discussed in section 4.4.

5 Best practice case studies and recommendations

Case Study 1

Month end timetable – contains detail for individual months

The month-end timetable at BBSRC, like all good practice timetables, contains significant detail regarding all the responsibilities and deadlines of each individual task to be performed during that month. The summary page clearly lays out the key deadlines for each month and takes into account all bank holidays etc. that would otherwise disrupt a generic timetable. An extract from the timetable can be seen below in figure 5.1.

Where the BBSRC timetable stands out is the inclusion of less frequent tasks into the timetable. As each month has its own separate task list, rather than representing all generic tasks that are repeated each month, the BBSRC timetable is able to accommodate changes and one off events into individual months. For example, the timetable contains the exact dates for the quarterly review sessions with the Estates team and the exact date upon which the 'Indicative Budgets & Forecasting Templates' are due by and a suggested start date as well.

This level of detail is clearly useful in allowing the finance team to prepare well in advance of indicated deadlines and demonstrates a proactive finance function.

Figure 5.1 Extract from month end timetable

Finance Timetable 2012-2013

Date	Responsibility	Description	Deadline	Frequency	Target
JUNE					
Week 1					
01/06/2012	JM	Agreement of WGA transactions and balances			
01/06/2012	JM	CGO2s to BIS Central Finance			
01/06/2012	AB	GRNI report & Pivot for Jen		Monthly	
01/06/2012	AB	PO analysis, closure on GRNI report		Monthly	
01/06/2012	AB	Aged Debtors report compared to GL & investigation		Monthly	
01/06/2012	AB	AP Trial Balance compared to GL & investigation		Monthly	
01/06/2012	JM	GL Review	WD3	Monthly/Week 1	Accounts&Business Planning
01/06/2012	PS	Invoice Accrual GRNI over 10K invoices	Week 2	Monthly	
01/06/2012	PS	Miscellaneous code 2308 - Journal		Monthly	
01/06/2012	JG	Transparency of spend data (25K plus)			
01/06/2012	JG	Transparency of GPC spend data (£500 plus)			
04/06/2012	All	Bank Holiday			
05/06/2012	All	Bank Holiday			
06/06/2012	VM	PSG			
07/06/2012	HG	Process UKRO claim for payment			
07/06/2012	AS	Annual Report sign-off at EG			
07/06/2012	AS	Audit Wash-up			
08/06/2012	VM	PSG			
08/06/2012	AS, VM, RL, JM	Income review with post award			
08/06/2012	JM	CGO2 Submissions	08/06/2012	Annually	HMT and BIS

Source: Management information

5 Best practice case studies and recommendations (cont.)

Case Study 2

Lessons learnt – ensuring knowledge retention and continuous improvement

BBSRC finance has an ethos of continual improvement and hold regular meetings between senior members of the department to review their processes, for example, the Director of Finance and the senior finance staff held a workshop to discuss general improvement ideas in the week after our fieldwork phase.

Further to this after every major event, such as a year-end audit process or completion of a major capital project, the finance team discuss what areas for improvement exist in their processes, input from the Audit Committee members is also sought for this process to ensure all concerns are captured. These thoughts are then pulled together into a 'lessons learnt' document to ensure they are not forgotten, the lessons are allocated into categories such as Internal, Cross-Council and RCUK SSC. Using this 'lessons learnt' documentation, an action plan is drawn up with details of the issue, action to be taken, responsible person and expected timings of when the actions can be achieved.

As well as using their own lessons learnt, BBSRC also build into their plans the comments from internal and external auditors to ensure they are resolving as many issues as possible and becoming a more efficient finance function.

5 Best practice case studies and recommendations (cont.)

Case Study 3

Core finance team linkage to the wider organisation

The operational model employed at BBSRC ensures the core finance team are not pigeon-holed into a financial accounting role and encourages and requires strong connections between finance and the wider organisation to ensure a complete understanding of BBSRC's activities is obtained. The Director of Finance does not see this behaviour as 'business partnering', as he believes the whole organisation is more collaborative and joined up than the 'partnership' relationship would suggest.

From our observations of the finance function, noting for example the close physical proximity of the core finance team and the capital & estates team, through to the interaction of the Executive Group with each other, this behaviour is embedded into the team and clearly provides a huge amount of information which finance can use to provide commentary on the financial performance and add value into decision making processes throughout the organisation.

Further to this, as evidence of this joined-up nature, BBSRC encourage joint objectives for employees in finance with employees in other departments. For example Victoria McMyn, Deputy Director of Finance, has a shared objective with Karen Lewis, Associate Director Innovation, 'to work together to raise the profile of the impact agenda across BBSRC and with key stakeholders; to encourage colleagues to think innovatively about the impact agenda and to contribute to the Impact Portal; and to identify further opportunities for collaborative working between the Finance and Innovation teams.

These joint objectives are a new implementation for BBSRC and in 2012-13 financial year all employees have at least one objective shared with another department employee.

Additionally the finance function is in contact with the Institutes, through the Director of Finance in his role as an observer of the Trustee board at Babraham Institute, through various senior members of the finance and estates teams in their role as Senior Responsible Owner (SRO) for a number of BBSRC's major capital projects, and through arranged site visits.

5 Best practice case studies and recommendations (cont.)

Case study 4

Capital bids – including appropriate information and considerations

BBSRC as an organisation are currently undertaking a number of large capital development projects, a significant reason for this is the nature of the bids produced. From the information we have seen during the course of our review, BBSRC produces comprehensive business cases to put forward to BIS to obtain approvals and funding.

There are two reasons that contribute to the quality of the bids BBSRC produce. The first is the talent working within the organisation, particularly the finance function where staff are highly qualified and in the estates team where a number of chartered surveyors are employed. The second reason is the process for producing the business cases.

The process is highly collaborative, made possible by the operating model noted in Case Study 3, allowing for continual discussions between finance and estates throughout the drafting period. Expertise from both sides, as well as from the Institutes who ultimately are going to use the research facilities built under these capital projects is combined into the document and reviews of the bids are performed at Executive Board level within BBSRC.

This ensures the bids are of the highest quality and are fully internally approved before submission to BIS.

5 Best practice case studies and recommendations (cont.)

Case study 5

Flexible talent resource model

BBSRC employs a flexible talent resource model through its back office functions (i.e. non-scientific employees) that allows for movement between departments to allow employees to further develop skills in areas and increase their understanding of the organisation. This model also provides the individual teams within the organisation a wider skill base and additional resource as and when required, and is therefore beneficial to the entire organisation and as such is best practice talent management.

A number of examples have been identified within the finance function as follows:

1. A manager in the RCUK Joint Superannuation Service (RCUK Pension Scheme administrators) who is studying a professional finance qualification spends half a day each fortnight within BBSRC finance to gain experience of preparing accounts and dealing with auditors. When the finance function then requires additional resource, such as during the year end, this employee is able to fill the requirement.
2. A Grade 5 civil servant from BIS has joined BBSRC finance on secondment as Director Major Programmes Finance, and has taken on leading roles in several of BBSRC's campus development programmes at Norwich, Babraham and Pirbright. This has provided BBSRC with additional public sector finance expertise, an insight into BIS Corporate Finance, and allowed the employee to gain experience of the PO which will be of benefit when returning to BIS.
3. A member of the AASG team who is a member of the Chartered Institute of Public Finance & Accountancy ('CIPFA') has ambitions to become a member of the Institute of Chartered Accountants England and Wales ('ICAEW'). As part of being able to achieve this, the employee is required to demonstrate evidence of personal involvement in specific finance areas, and it allows the employee to gain experience of working within a Finance Team to strengthen their CV and keep their future career options as flexible as possible. This arrangement again allows the core finance team to call upon additional resource during peak periods.
4. A dedicated HR professional was brought into the finance team supporting BBSRC in the RCUK SSC post-migration environment. They have now worked within the team in finance for three years and have just completed an HR qualification with intention to move back to HR in the future. The employee has greatly enhanced their financial knowledge and skills, as well as building significant expertise in working in a shared services environment. This mutual learning has been beneficial to both the employee and finance team. During the time the employee has also been working on HR projects and ensuring links between the departments are maintained during the long-term transfer.

5 Best practice case studies and recommendations (cont.)

Recommendation 1

Prioritisation of month end and year end processes

As noted in Section 4.1, the RCUK SSC provides all month-end reconciliations to BBSRC in one batch on working day 15. All year-end information is also received in one batch on working day 15. This can cause delays in BBSRC being able to perform their monthly and annual procedures, particularly analytical procedures which rely on the receipt of base financial information. BBSRC can view RCUK SSC reconciliations on the extranet as they are completed, but currently RCUK SSC reconciliations are performed in an order dictated by RCUK SSC rather than a phased basis which meets client requirements and priorities.

In order to reduce any impact of these delays, BBSRC should aim to engage with the RCUK SSC to determine an order of priority of deliverables, particularly for the year-end reconciliations.

Prioritisation of tasks can also include BBSRC performing some of the less material month-end accounting on the basis of estimates, such as calculating an estimate of depreciation, in the middle of the month to reduce the number of tasks to be performed in the three-day month-end window to allow other tasks to be performed. Actual figures can be produced on a quarterly basis to ensure the estimates are appropriate.

Suggested action to be taken	BBSRC response	Timeline
<ul style="list-style-type: none"> Identify priority order for deliverables from the RCUK SSC at month end and year ends and agree timetable of deliverables Identify balances where estimates can be calculated outside of the month-end window 	<p>BBSRC, with all RCs, has engaged with the RCUK SSC regarding the prioritisation of yearend deliverables and is content with the SSC's proposed timetable of delivery for the 2012-13 year end.</p> <p>BBSRC currently provides regular feedback to the RCUK SSC on the monthly reconciliation pack, but agrees that there is scope to explore the prioritisation of deliverables outside of year end. BBSRC will review the month end deliverables with SSC for the 2013/14 financial year.</p> <p>BBSRC will review its month end process to identify whether there are any opportunities to use estimates.</p>	<p>Target date for completion: summer 2013</p>

5 Best practice case studies and recommendations (cont.)

Recommendation 2

Additional KPI reporting and use of materiality in management reporting

The management information provided to the Executive Group (“EG”) members is good and clearly provides detail on each of the expenditure categories and comparisons to forecasts and prior periods. Simple variance analysis is performed to demonstrate changes but no percentage variances or other details are included. The reporting is consistent on a month-on-month basis for ease of use.

As noted in Section 4.3, there is scope to improve the management reporting by providing a set of focused KPIs and signposting variances, using percentages, based on a materiality consideration. This would focus the Board Members on the more important figures to aid decision-making.

Suggested action to be taken	BBSRC response	Timeline
<ul style="list-style-type: none"> Identify whether there are any appropriate KPIs the Executive members would appreciate being reported to them on a regular basis. Determine a materiality over which variances are determined sufficiently important to flag to the Board members for ease of identification. Consider whether balances which will never be material are worth reporting in this format at all. 	<p>BBSRC agrees that there is scope to explore enhanced management reporting and plans to review the current reporting ahead of the start of the 2013/14 financial year. BBSRC will consider KPIs and materiality as part of this review.</p>	<p>Target date for completion: start of 2013/14 financial year</p>

Appendix 1: Information received

The following is a list of all information received from BBSRC and during the course of our review:

Minutes

BBSRC Council minutes and agendas from April 2011 to October 2012
Exec Board finance papers from February 2011 to October 2012

Budget documentation

2012-13 Budget allocation letter – ‘Allocation letter to Doug Kell at BBSRC dated May 2012’
2011-12 Budget allocation letter – ‘BBSRC – Working budget for 2011-12 – programme and admin’
Annual working budget and indicative budgets for future periods to 2014-15
Annual forecast spend to 2017-18
Monthly management finance reports from June 2011 to August 2012
Example monthly management accounts – ‘CPS – Monthly Finance Report’

Other key documents

MROFL BBSRC Final Report FINAL
Finance risk register – ‘FG Risk Register Aug-12’
Organogram Whole Finance Group – Aug 12
NAO Audit Completion Report 2011-12
Details of role descriptions within core finance team
Finance function year end timetable – ‘YearEndTimetable’
Month End Timetables 2012-13
Template accounts for 2012-13 year end – ‘Annual Report 12-13 DRAFT v1.0’
Lessons Learnt document from 2011-12 year end process – ‘Accounts 2011-12 Lessons Learnt Updated Julyv1’
Year end annual accounts process recommendations – ‘Year End Actions 2012-13 Aug 12’
BBSRC Impact Portal Overview
Case Studies (resources flexibility examples)

Policy and process documents:

BBSRC Cash Management Policy DRAFT
BBSRC Finance Guide
BBSRC Risk Policy v2.0
COP001BBSRC Fixed Asset Register v1.2
COP002 BBSRC Purchase to Pay v1.1
COP003 BBSRC General Ledger v1.0
COP004 BBSRC Order to Cash v1.0

Appendix 1: Information received (continued)

COP005 BBSRC Cash Management v1.0
COP006 BBSRC GPC v1.0
COP007 BBSRC Staff expenses and TS v1.1
COP008 BBSRC Non employee expenses v1.2
COP009 BBSRC Income from Government Departments (exc. BIS) v1.1
COP010 BBSRC Delegated Authority v1.1
COP013 BBSRC Capital Budget v1.0
COP014 BBSRC Transparency of Spend v1.0
COP016 BBSRC Managing Off System Grants v1.3
COP017 BBSRC Management Accounts v1.0

Internal audit documentation

Internal audit plan – ‘Assurance framework Sep-09b’
Internal audit recommendations – ‘2011 12 Audit Actions Record’
BBS08-1112 Final Report V1
FINAL AUDIT PLAN 2012-13 BBSRC (Strategy Year 2 Refresh) V2
RCIAS IA Assignment Feedback Questionnaire Final V2_distributed
BPA ASSURANCE 2012-13 DRAFT Opening Statement
RCUK SSC Assurance Strategy 2012-13
CSF02 IT Gov and Management Audit DRAFT Opening Statement
CSF01 E2E Process Governance DRAFT Opening Statement
CSF04 Application Security DRAFT Audit Opening Statement
CSF07 Master Data Maint Audit DRAFT Opening Statement
CSF05 Network Security DRAFT Audit Opening Statement

Business Case documentation for Pirbright Institute DP1 and DP2:

FULL BUSINESS CASE for IAH DEVELOPMENT PRGRAMME 29_06_09
IAHDP2FullBusinessCaseFinal_29052012
DPB_03_01 IAH DP Board Meeting Agenda – 20 Sep 2012
DPB_03_02 IAH DP Board Meeting 1 Minutes – 19th July 2012 for issue
DPB_03_03 IAH DP Programme Board Exec Paper Nr 3 – August 2012
DPB_03_04 IAH DP1 Monthly Report Nr37 - August 2012
DPB_03_05 IAH DP2 Monthly Report Nr 12 - Aug 2012 rev2

Appendix 2: Interview schedule

During this process we have spoken to the following people:

At BBSRC

Executive Board

David Parfrey – Director of Finance

Steve Visscher – Deputy CEO and COO

Celia Caulcott – Director of Innovation and Skills

Jan Juillerat – Director of People and Development

Paul Gemmill – Director of Communication and Information Management

Core Finance team

Victoria McMyn – Deputy Director of Finance

Angela Stead – Senior Financial Accountant

Paul Hallam – Head of Governance

Jennifer Makamure – Management Accountant

Wider organisation

Jeff Monks – Head of Estate Operations

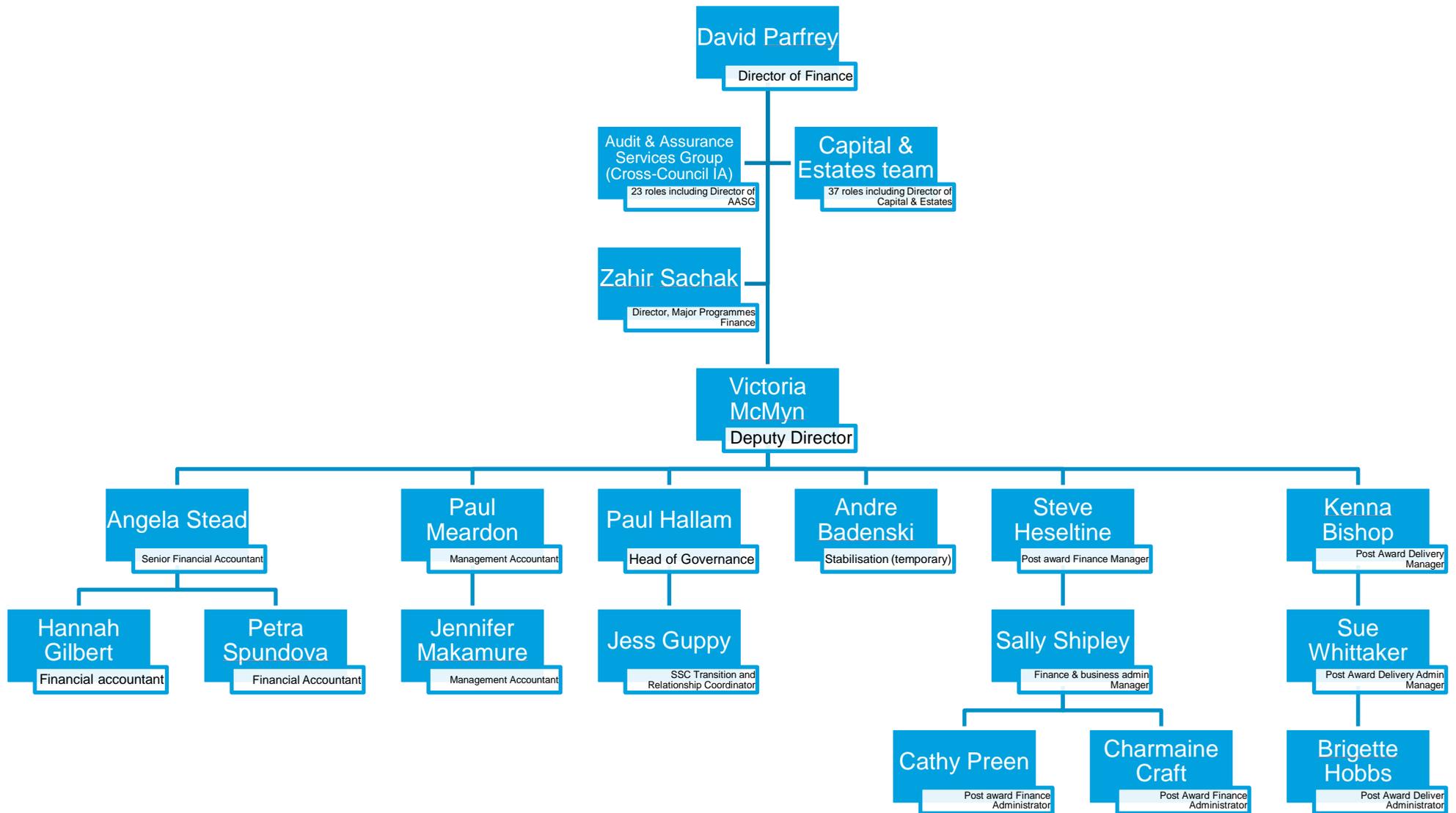
At BIS

Graeme Reid – Head of Research Funding

Ron Egginton – BBSRC Sponsor

Billy Aitken – Finance Business Partner

Appendix 3: Organogram for BBSRC Finance



Source: Management Information as at the time of writing

Appendix 4: Institute Governance Structures

Institute	Status	Governance	Membership	Framework Agreements	BBSRC Executive
Babraham Institute	Registered Charity and Company Limited by Guarantee	Articles of Association specify the Governing Board composition and roles	BBSRC (Corporate) Chair of Board Chair of Audit Cttee	Articles of Association Members Agreement Institute Grant Agreement Deployment Agreement IP Settlement Agreement	Board Observer
Institute of Food Research	Registered Charity and Company Limited by Guarantee	Articles of Association specify the Governing Board composition and roles Separate Science Advisory Board	BBSRC (Corporate) UEA (Corporate) Chair of Board	Articles of Association Members Agreement Institute Grant Agreement Deployment Agreement IP Settlement Agreement	Board Observer
The Pirbright Institute (Institute for Animal Health)	Registered Charity and Company Limited by Guarantee	Articles of Association specify the Governing Board composition and roles Separate Science Advisory Board BBSRC is the Corporate Trustee – Council appoints a Corporate Trustee Team (CTT)	Single Member	Articles of Association Institute Grant Agreement Deployment Agreement IP Settlement Agreement	Two members on the CTT
John Innes Centre	Registered Charity and Company Limited by Guarantee	Articles of Association specify the Governing Board composition and roles Separate Science Advisory Board	BBSRC (Corporate) JIF (Corporate) UEA (Corporate)	Articles of Association Members Agreement Institute Grant Agreement Deployment Agreement IP Settlement Agreement	Board Observer
Rothamsted Research	Registered Charity and Company Limited by Guarantee	Articles of Association specify the Governing Board composition and roles Separate Science Advisory Board	BBSRC (Corporate) LAT (Corporate) Chair of Board	Articles of Association Members Agreement Institute Grant Agreement Deployment Agreement IP Settlement Agreement	Board Observer

Appendix 4: Institute Governance Structures (cont.)

Institute	Status	Governance	Membership	Framework Agreements	BBSRC Executive
TGAC	Registered Charity and Company Limited by Guarantee	Articles of Association specify the Governing Board composition and roles Separate Science Advisory Board	BBSRC (Corporate) Trustee/Directors	Articles of Association Members Agreement Institute Grant Agreement Deployment Agreement IP Settlement Agreement	Board Observer
IBERS	Centre within an HEI	Institute is governed as under the structures of Aberystwyth University Separate External Advisory Board and Science Advisory Board		Transfer Agreements (between BBSRC and AU)	Membership of both External Advisory Board and Science Advisory Board
The Roslin Institute	Centre within an HEI	Institute is governed as under the structures of the University of Edinburgh Separate Science Advisory Board		Transfer Agreements (between BBSRC and UoE)	Membership of Science Advisory Board

Appendix 5: Financial Information Requests

The table below details the financial information requests received by BBSRC since 1 September 2012.

Description	Date	Time
Admin budgets – ad hoc BIS request seeking data and narrative on admin budgets	9 Nov	1-day* SMA plus 2-hours' management review
Taking forward the transparency agenda – ad hoc request to review all transparency arrangements and reduce threshold for publication of transparency data by December	10 Oct	½ day DHG to review request and check compliance. Estimate that it will take 3 days for DHG to make arrangements for new threshold for data publication
CO NGSS Reporting Tool – ad hoc request to provide data on admin budgets for Cabinet Office	Oct	1-day* SMA plus 1-hour management review
BIS Q2 review – request for data on forecast, future risks/opportunities, high vfm proposals	14 Sept	2-days* SMA plus 2-3 hours' management review
BIS request for Country and Regional Analysis Exercise	19 Sept	1-day* SMA
BIS request for EU Receipts Data	11 Oct	½ day* SMA
GIA Forecasts for BIS	Monthly by 29th	Within the hour SMA
24-Hour Response Critical BACS Payment Requests for BIS Amey	As required	Within the hour SMA
Cashflow Forecasting for BIS Amey. Daily Cash Flow Forecast monthly for both BBSRC and RCPS	Monthly by WD 5	1-Day* SMA
BIS Management Accounts Return	Monthly by WD 5	1-Day* SMA, 1-hour management review

Appendix 5: Financial Information Requests (cont.)

Description	Date	Time
BIS commissioned Deloitte Review of Partner Organisations' Financial Management	Sept/Oct	2 x 3-hours' workshops for 4 senior finance team members; 2-hours' opening and closing meetings with FD and DFD; 1-hour interviews with 4 Directors and 5 senior finance team members; 3-days' admin support for info gathering and meeting bookings
RCUK capital bids - ad hoc request to all RCUKs co-ordinated via RCUK	Sept	½ day for Executive Group to discuss and agree priorities
CPD return for CLoS P6 – timetabled return part of CLoS consolidation exercise	30 Oct	3-days'* data preparation by FA and 1-day liaison with other parties to agree mismatches
BIS K&I AME 2012-13 Supplementary Estimate	26 Nov	1-hour SMA

SMA = Senior Management Accountant

DHG = Deputy Head of Governance

FA = Financial Accountant

FD = Director of Finance

DFD = Deputy Director of Finance

*Includes information gathering element within finance and from other sources, meaning total time to produce response is longer than the Finance Team resource element

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