
Section 2

Trustees and strategic report

The Trustees present their annual and strategic report together with the consolidated financial statements for the Institute and its subsidiary for the year ended 31 March 2020.

The financial statements comply with the Charities Act 2011, the Companies Act 2006 and the Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK (FRS102) which became effective in January 2015.

Legal and administrative information

The Institute is registered and is a charitable company (limited by guarantee) governed by its Articles of Association dated 26 March 2015.

Company Number: 09512457

Charity Number: 1162533

Directors/Trustees

The subscribers/directors of the Institute are its Trustees for the purposes of charitable law and throughout this report are collectively referred to as the Trustees.

The Trustees serving during the year and since the year end were as follows:

Howard Covington

(Chair)

Stephen Jarvis

(Resigned 28 April 2020)

Frank Kelly

Richard Kenway

Kerry Kirwan

(Appointed 28 April 2020)

Julie Maxton

(Resigned 27 November 2019)

Thomas Melham

Wendy Tan-White

(Resigned 27 November 2019)

Neil Viner

Patrick Wolfe

Key management as at 31 March 2020

Adrian Smith

Institute Director and Chief Executive

Jonathan Atkins

Chief Operating Officer

Christine Foster

Chief Collaboration Officer

Donna Brown

Director of Academic Engagement

Allaine Cerwonka

Director of International & Associate Director of ASG

Vanessa Forster

General Counsel

Nicolas Guernion

Director of Partnerships

Catherine Lawrence

Director of Programme Management

Sophie McIvor

Director of Communications and Engagement

Martin O'Reilly

Director of Research Engineering

Clare Randall

Director of People

Programme Directors as at 31 March 2020**Mark Birkin**

Urban Analytics

Mark Briers

Defence and Security

Mark Girolami

Data-Centric Engineering

Chris Holmes

Health and Medical Sciences

Anthony Lee

Data Science at Scale

Helen Margetts

Public Policy

Jonathan Rowe

Data Science for Science

Lukasz Spruch

Finance and Economics

Adrian Weller

Artificial Intelligence

Alan Wilson

Special Projects

Registered Office

The British Library

96 Euston Road

London, NW1 2DB

Auditors

Moore Kingston Smith

LLP Chartered Accountants

Devonshire House

60 Goswell Road

London, EC1M 7AD

Bankers

Barclays Bank UK PLC

Leicester

Leicestershire, LE87 2BB

Solicitors

Bates Wells Braithwaite

10 Queen Street Place

London, EC4R 1BE

Veale Wasbrough Vizards

24 King William Street

London, EC4R 9AT

Mills & Reeve

24 King William Street

Candlewick

London, EC4R 9AT

Structure, governance and management

Our legal structure

The Alan Turing Institute was founded in March 2015 as a registered Charity (1162533) and a Company Limited by Guarantee (09512457).

The Institute is governed by its Articles of Association that were adopted on incorporation on 26 March 2015. The Articles of Association establish the governance of the Institute as the responsibility of the Board of Trustees who are Directors of the company and are its Trustees for the purposes of charitable law.

Purpose of the Institute and main activities

As the national institute for data science and artificial intelligence, the charitable object of the Institute, as set out in its Articles of Association, is the furtherance of education for the public benefit particularly through research, knowledge exchange, and public engagement, in the fields of data sciences. In 2017, as a result of a government recommendation, the Institute added artificial intelligence to its remit. The Institute has power to do anything which is calculated to further its object or is conducive and instrumental in doing so. In particular, the Institute's ambitions are to:

- Produce world-class research in the foundations of data science and artificial intelligence.
- Have a transformative impact on the way that data and algorithms are used in the economy, in government and in society.
- Educate and train data scientists.

The Trustees confirm that they have paid due regard to the Public Benefit Guidance published by the Charity Commission, including the guidance Public benefit: running a charity (PB2), in shaping their aims and objectives for the year and in planning their future activities.

Related parties

The Institute's Founder Members are the Engineering and Physical Sciences Research Council (EPSRC) and the Universities of Cambridge, Edinburgh, Oxford, University College London (UCL) and Warwick. The Founder Members have entered into a joint venture agreement which establishes the basis on which funding will be made available to the Institute.

On 1 April 2018, the Institute entered into 5-year partnership agreements with eight additional universities: Birmingham, Bristol, Exeter, Leeds, Manchester, Newcastle, Queen Mary University of London and Southampton.

The Institute has a wholly owned subsidiary, Turing Innovations Limited (company registration number 10015591) which exists to manage trading activity. Any surplus funds generated by this subsidiary will be transferred to the Institute as Gift Aid.

Board composition and responsibilities

The Institute is governed by its Board of Trustees whose members are also its Directors. The Board of Trustees has been established in accordance with the terms of the Joint Venture Agreement between the six Founder Members (Founders), dated 31 March 2015. The Board composition is determined as follows:

- Each Founder may appoint one Trustee.
- Founders may, by a unanimous decision, select and appoint an Independent Trustee who acts as Chair of the Board and may from time to time remove and replace such Independent Trustee by a unanimous decision of the Founders.
- The appointed Trustees may appoint further Independent Trustees such that, so far as possible, the total number of Trustees on the Board at any particular time will be an odd number
- The Trustees appointed by the Founders must always form a majority of the Board and may from time to time remove and replace Independent Trustees

Biographies of all Trustees are available at [turing.ac.uk/people/governance](https://www.turing.ac.uk/people/governance).

Organisational management and responsibilities of the Board

The Institute has a clear organisation structure with documented lines of responsibility and authority.

The Institute's Board of Trustees is responsible for setting the aims and strategic direction of the Institute. Trustees set the Institute's strategy, establish funding policies, monitor risks, approve the annual budget and expenditure targets and monitor actual and forecast financial results.

The Trustees are also responsible for developing and agreeing the overall strategy and policies related to research, knowledge and public engagement, in the fields of data science and artificial intelligence.

Trustees meet formally as a Board with the senior management team up to four times a year. In addition, Trustees normally attend at least two away days and undertake further meetings as and when needed. The senior management team also provides Trustees with regular reports on the Institute's financial position, current activity, organisational news and significant issues affecting the Institute.

Organisational management and responsibilities of the Board (cont.)

The senior management team, led by the Institute Director, is responsible for the day-to-day management of the Institute's operations and activities. The Institute Director is responsible for appointing senior managers. The senior management team is also responsible for implementing the strategy and policies agreed with Trustees and reporting on its performance to the Board.

Committees

The Institute is supported by a range of committees, whose members include Trustees, the Institute Director, representatives from the Founder Members, Programme Directors and other individuals with appropriate expertise.

The following three formal committees report directly to the Board of Trustees:

Audit Committee

This committee is a delegated body of the Board of Trustees, responsible for audit, finance, risk management and compliance. This committee reviews the effectiveness of the Institute's internal control framework and risk management process and compliance with reporting requirements.

It monitors the terms of appointment and the work of the external auditors and receives and reviews audit reports. It monitors the full external audit process and resulting financial statements, including overseeing the terms of appointment of the external auditors.

Nomination Committee

This committee is responsible for all aspects of the appointment of new non-Founder Trustees to the Board of Trustees. It also has responsibility for monitoring boardroom diversity and makes recommendations on appointments within the Audit and Remuneration Committees in consultation with the chairs of those committees.

Remuneration Committee

This committee advises the Board of Trustees and oversees the preparation of policies and procedures in respect of salaries, emoluments and conditions of service. In line with these approved policies and procedures, the committee approves the total remuneration package for the Chair of the Institute, the Institute Director and those senior staff reporting directly to the Institute Director. The criterion for setting pay is the market rate taking into account industry standards.

The Trustees will set up other committees, as necessary, to provide assistance to the Board.

Other committees established internally by the senior management team include:

Research and Innovation Advisory Committee

Formerly the Programme Committee, as defined under the Joint Venture Agreement. This committee supports the Institute Director in the preparation of the Institute's scientific and innovation strategy. It also supports the Institute with research and training programmes and reports appropriately to the Institute's stakeholders.

Scientific Advisory Board

This is an independent group made up of international experts in academia, industry and government. This group was established to provide strategic advice to the Institute's Board of Trustees and senior leadership team on the development and implementation of its scientific research strategy.

Strategic Partners Board

This group advises the Board of Trustees on the content and translation of research generated at the Institute and collaborates across the Institute and its partners to identify new opportunities.

University Partners Board

This group advises the Institute Director on the research direction of the Institute, the Institute's relationship with its university partners and the higher education landscape as it relates to data science and AI.

Recruitment and appointment of Trustees

The Nomination Committee undertakes an open recruitment process, recommends new candidates for appointment when necessary and ensures appropriate recruitment and succession plans are in place for non-Founder appointed Trustees.

On appointment, each Trustee completes a declaration of interests form which is held within a register of interests and which is monitored and updated on a regular basis and reviewed annually.

Recruitment and appointment of Trustees (cont.)

Trustee related party transactions are disclosed in greater detail within the financial statements later in this report. All conflicts are actively managed through early identification of potential areas of conflict and appropriate action taken where necessary.

Trustee induction and training

There is a tailored induction programme for new Trustees that includes a programme of meetings with the members of the senior management team and other Trustees.

New Trustees are provided with a Trustee Information Pack which includes initial information about the Institute and its work, a copy of the previous year's Annual Report and Accounts, a copy of the Institute's Articles of Association, a copy of the Joint Venture Agreement, information about their powers as Trustees of the Institute, key corporate policies e.g. Code of Conduct, Gifts and Hospitality policy etc. and a copy of the Charity Commission's guidance, "The essential trustee: what you need to know".

Equality, Diversity and Inclusion (EDI)

It is the Institute's policy to provide equal opportunities to job applicants and employees. The Institute recognises that everyone should be treated with respect and dignity and that a working environment must be provided which is free of any form of discrimination, harassment, bullying or victimisation.

In addition, the Institute's site at the British Library provides access arrangements in order to allow unrestricted employment of individuals who have special access needs. The Institute is committed to the effective implementation of this policy and will not condone any form of discrimination, whether engaged by employees or by third parties who interact with the organisation.

The Institute has an established EDI programme which is guided by the following principles:

- We will seek to **understand the challenges and barriers** to equality in order to eliminate discrimination, creating an environment where differences are valued.

- We will **promote a culture of inclusion**, recognising and celebrating difference and acknowledging the benefits achieved by diversity of thought and experience.
- We will **create a safe, non-judgemental space** where we can discuss arising issues relating to equality, diversity and inclusion and support one another to understand and acknowledge a range of perspectives.
- We will **embed equality, diversity and inclusion** across all levels of the Institute and in everything that we do.
- We will **educate our community** and raise awareness in all areas relating to equality, diversity and inclusion ensuring our commitment to EDI is understood by all.
- We will **support and enable** our community to recognise and challenge behaviour at all levels which goes against these principles.

The Institute has established an EDI Advisory Group to help inform the Board of Trustees and the senior management team to ensure that the Institute is demonstrating best practice in all matters regarding equality, diversity and inclusion.

This group is made up of members from both the business team and the research community and represents all levels of the Turing. There are four diversity working groups which feed into this central group, comprised of diversity champions from across the Turing community representing the different EDI themes. Each group manages its individual action plan.

The four working groups are:

- Gender and LGBTQ+ Equality.
- Race and Socio-economic Equality.
- Health and Wellbeing.
- Attracting Diversity and Retaining Talent.

Financial review

The Institute is funded through grants from Research Councils, Founder Members, University Partners and from strategic and other partnerships.

Income of £36m (2018/19: £39.4m) has been received during the year of which £13m was received from Research Councils (2018/19: £14.7m), £13m from Founding Members and University Partners (2018/19: £13m), £7.8m from strategic and other research partnerships (2018/19: £9.5m) and £2.2m from other trading activities and investment income (2018/19: £2.2m).

Expenditure of £34.5m (2018/19: £30.1m) has been incurred in the year. Grants payable to Founding Members and other University Partners represent 50% of total expenditure with spend in this area remaining broadly in line with last year. Staff costs represent 31% of total expenditure increasing by 53% from £7m in 2018/19 to £10.7m in 2019/20, as the institute expands its research programme delivery. The remaining 19% of expenditure covers support costs and other direct costs.

The Institute made a surplus of £1.5m (2019: £9.3m). This has been transferred to reserves and will be used to fund research and Institute costs during 2020/21 and beyond.

Group net assets at 31 March 2020 are £24.4m (2019: £22.9m).

Fixed asset values reduced by £567k. During the year £451k was spent on additions. This was offset by £1m of depreciation and asset disposals of £9k.

Current assets: Debtors are £6.8m and remain broadly in line with last year. Cash at bank and in hand has increased to £43m (2019: £41m). This is largely due to the up-front nature of cash receipts on many of the Institute's grant awards coupled with delays in cash outflows to grant recipients, which are now being actively resolved.

Creditors: amounts falling due within one year increased by £6.9m to £23.1m. Grant creditors were £5.4m higher than last year due to a combination of delays in paying grant awards and some of these grant awards moving from amounts due in more than one year to amounts due within one year. In addition, accruals were £1.5m higher than last year due to an increase in accrued project expenditure.

Creditors: amounts falling due in more than one year reduced by £1.6m to £3.9m as a number of grants became due within one year and there were fewer new grant agreements with liabilities due in more than one year than last year.

Going Concern

The Trustees have assessed whether the use of going concern basis is appropriate and have considered possible events or conditions that might cast significant doubt on the ability of the charitable company to continue as a going concern. The Trustees have made this assessment for a period of at least one year from the date of the approval of these financial statements.

In particular, the Trustees have considered the charitable company's forecasts and projections and have taken account of pressures on income. After making enquiries, the Trustees have concluded that there is a reasonable expectation that the charitable company has adequate resources to continue in operational existence for the foreseeable future.

The charitable company therefore continues to adopt the going concern basis in preparing its financial statements.

The Trustees have assessed the consequences of the current COVID-19 pandemic and recognise that, whilst this will impact the research funding landscape in the UK and internationally, the Institute's reserves are such that it expects to maintain positive cash flows and reserves for at least one year from the date of approval of these financial statements and, as such, the Trustees are confident that the Institute will continue to operate as a going concern.

Fundraising

The Institute does not engage in fundraising activities with the general public and no donations are sought from the public. Costs of raising funds in the financial statements relate to sourcing of new institutional funders.

The Institute does not use third parties to assist with fundraising and the Institute received no complaints in this year regarding its fundraising practices.

Treasury Management Policy

Treasury management activity monitors the timing and amounts of cash inflows and outflows, in particular monitoring and tracking those activities that result in significant cash movement.

The Treasury Management Policy is confined to the management of short to medium term liquid funds (maximum investment term is 18 months).

Assets are protected by investing with approved counterparties. Investments are risk-averse and non-speculative and the Institute places no income reliance on interest earned.

Grant making policy

The Institute's grants will be subject to outputs being appropriately recorded and assessed. Data held will be in line with the grant guideline requirements issued by UK Research and Innovation.

Fundamental principles have been established and adopted by the Institute. These are as follows:

- The Institute will award grants that are in line with the charitable object of the organisation.
- The Institute intends to assess grants bi-annually to ensure compliance with the terms of the grant.
- The Institute expects to assess the progress of each grant within three months of the end of the grant period.

Reserves policy

The Institute reviews its reserves policy each year, taking account of its planned activities and the financial requirements for the forthcoming period. The Trustees believe that the Institute should have access to reserves appropriate to the scale, complexity and risk profile of the Institute.

To cover any shortfall in grants and to maintain the financial viability of the Institute, reserves are currently set at the equivalent of 3 to 6 months of operating costs.

In 2015, the Engineering and Physical Research Council awarded a grant of £42m to the Institute to carry out its charitable objectives. This grant was split between operating resource of £22m and capital of £20m. As at 31 March 2020, the full value of the operating resource grant has been received. The remaining capital grant expires on 31 March 2022. A further resource award of £10m was made by EPSRC in November 2019 to support core operating costs until 31 March 2022.

The Institute's unrestricted General Fund as at 31 March 2020 was £16.9m (2019: £17.3m). This includes £2.5m (2019: £11.3m) of funding held to cover future years' financial commitments, £1.9m (2019: £2m) of funds designated by the Board for the Institute's Safe and Ethical AI programme, £4.2m to offset notionally the overdrawn University Partner Research Fund (2019: £4.6m) - (see note 20(g) for details) with the balance, £8.3m (2019: £4m), being in line with the above reserves policy.

As at 31 March 2020, the Institute holds £7.5m (2019: £5.6m) of restricted reserves. This is after allowance has been made for future years' commitment under current researcher grant awards amounting to £4.1 (2019: £4.4m).

Remuneration policy

The Institute is committed to ensuring a proper balance between paying staff (and others who work for the Institute) fairly to attract and retain the best people for the job with the careful financial management of our charity funds. The Remuneration Committee oversees the overall remuneration of staff and specifically that of the Institute Director and those senior managers reporting directly to the Institute Director. The Remuneration Committee assumes the responsibilities of remuneration within the Institute, oversees the preparation of policies and procedures in respect of salaries, emoluments and conditions of service.

Formal consideration of remuneration matters takes place annually, usually at the committee's April meeting. However, remuneration matters may also be considered at other meetings if ad-hoc issues arise during the year.

The Committee does not have full delegated authority to approve all matters relating to remuneration and any recommendation or decision must be ratified by the Board of Trustees.

The Institute discloses all payments to Trustees and the number of staff with a total remuneration of £60,000 and above in accordance with the Charity Commission's Statement of Recommended Practice 2015 (SORP).

Risk management

Significant risks to which the Institute and Turing Innovations Limited are exposed are reported formally to the Audit Committee, the Board of Trustees and the Board of Directors of Turing Innovations Limited via the Institute's corporate risk register.

The Institute has a formal attitude to risk management with a risk framework embedded within the business that supports the identification and effective management of risks across the Institute. The senior management team is responsible for managing and reporting risks in accordance with the Institute's risk management policy and standards, while the Trustees retain overall responsibility for risk.

Examples of significant risks that the Institute currently faces include:

- The continued economic instability impacting the funding of research and access to talent by the Institute and its university partners.
- A breach of data security, malicious or otherwise.
- Inadequate resources available to fulfil its national role.

Risk management (cont.)

The Board of Trustees and the Board of Directors of Turing Innovations Limited seek to ensure that these risks are mitigated, so far as is reasonably possible, by actions taken by the Institute's senior management team.

This mitigation includes:

- Prudent financial management of the Institute such that it can react to changes in external funding in an agile, controlled manner.
- Working with funding bodies and government to secure longer-term funding.
- Implementing robust security processes, both physical and virtual.
- Building a network of delivery partners to increase the Institute's capacity for engaging with industry and delivering translational impact.

Section 172 Statement

The Board of Trustees are aware of their duty under s.172 of the Companies Act 2006 to act in the way which they consider, in good faith, would be most likely to promote the success of the Company for the benefit of its members as a whole and, in doing so, to have regard (amongst other matters) to:

- The likely consequences of any decision in the long term.
- The interests of the Company's employees.
- The need to foster the Company's business relationships with suppliers, customers and others.
- The impact of the Company's operations on the community and the environment.
- The desirability of the Company maintaining a reputation for high standards of business conduct.
- The need to act fairly as between members of the Company, (the "s.172(1) Matters").

Engagement with employees

Enhancing employee engagement is an integral part of the culture of the Institute. Senior management are actively involved in the engagement of colleagues through weekly electronic communications, monthly staff meetings and quarterly Town Hall meetings which involve employees and full-time members of the wider Turing community, to provide updates on business developments and to answer questions directly.

The Trustees receive regular qualitative and quantitative updates on employee matters from the People Director, who attends Trustee Board meetings, including analysis received through the annual employee engagement survey, regular EDI updates and an annual update on the Performance Review and Performance Related Pay process. This provides the Board with oversight of the effects our people engagement has on our performance, and the continued strength of our culture.

Engagement with employees (cont.)

This year, Trustees provided feedback on, and actively promoted, our newly launched values “The Rules of the Game”.

More recently the Trustees have additionally been focused on mitigating employee risks arising from the COVID-19 pandemic, including how best to support employees physical and mental health and wellbeing whilst working remotely. The Institute’s risk register, which is reported on at each Board of Trustees meeting, has been updated to capture these new people risks, whilst existing risks have been adjusted to ensure that current mitigations factor in known implications of the pandemic.

You can find out more about how the Institute engages with its stakeholders within Section 1 of this annual report.

Engagement with stakeholders

The Trustees recognise the existence of a number of key internal stakeholders (employees, Turing Fellows, Turing Research Fellows and students) and external stakeholders (general public, Founding Members, university partners, strategic and commercial partners, government agencies, public health bodies, charitable foundations, customers and suppliers) of The Alan Turing Institute.

The Trustees remain committed to effective engagement of all stakeholders and are mindful that the Institute’s success depends on its ability to engage effectively, work together constructively and to take stakeholder views into account.

The Trustees consider and discuss information from across the organisation to understand the impact of the Institute’s operations and the interests and views of our key stakeholders. The Trustees also review financial and operational performance, as well as information covering areas such as key risks, legal and regulatory compliance. This information is provided to the Trustees through routine reports circulated in advance of each Board of Trustees meeting and via in-person presentations.

The Trustees therefore possess an overview of our engagement with stakeholders enabling them to comply collectively with their legal duty under section 172 of the Companies Act 2006.

This year the Trustees also engaged positively with additional practical steps for Board of Trustee meetings to help ensure the voice and interests of the Institute’s stakeholders are considered during discussions, including:

- The introduction of a standing forward planning agenda item to discuss emerging areas of interest associated with key stakeholders for future discussion/ consideration.
- Inviting researchers from the Turing Community to present their research projects at Board of Trustees meetings.

Subject to the current uncertainty involving the COVID-19 pandemic, the Trustees plan to undertake an assessment, for inclusion within next year’s annual report, which maps out the current engagement activities associated with each stakeholder group above, how the Trustees engage with each group and how they have influenced the Board of Trustees decision-making activities.

Charity Governance Code

The Trustees support the principles-based approach of the Charity Governance Code in its aim to develop high standards of governance within the charity sector.

The Institute will continue to refine its practices and procedures to instil continuous improvement of its governance arrangements, as recommended under the Code. A Trustee recruitment campaign is currently underway to further enhance the skills composition, effectiveness and diversity of the Board of Trustees to further drive the promotion of good governance for the benefit of the Turing Community, internal and external beneficiaries and the wider charity sector.

Trustees' responsibilities statement

The Trustees are responsible for preparing the Trustees' annual report and the financial statements in accordance with applicable law and regulations.

Company law requires the Trustees to prepare financial statements for each financial year. Under that law, the Trustees have elected to prepare the financial statements in accordance with United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice, GAAP) including FRS 102 – The Financial Reporting Standard Applicable in the UK and Ireland. Under company law, the Trustees must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Institute and the result for that year.

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

- Select suitable accounting policies and then apply them consistently.
- Comply with applicable accounting standards, including FRS 102, subject to any material departures disclosed and explained in the financial statements.
- State whether a Statement of Recommended Practice (SORP) applies and has been followed, subject to any material departures which are explained in the financial statements.
- Make judgements and estimates that are reasonable and prudent.
- Prepare the financial statements on a going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

Trustees' responsibilities statement (cont.)

The Trustees are responsible for keeping adequate accounting records that are sufficient to show and explain the Institute's transactions, disclose with reasonable accuracy at any time the financial position of the Institute and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Institute and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Trustees are responsible for the maintenance and integrity of the corporate and financial information included on the Institute's website.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Disclosure of information to the auditor

The Trustees who held office at the date of approval of this Trustees' annual report confirm that, so far as they are each aware, there is no relevant audit information of which the Institute's auditor is unaware.

Each Trustee has taken all the steps that they ought to have taken as a Trustee to make themselves aware of any relevant information and to establish that the Institute's auditor is aware of that information.

Moore Kingston Smith were appointed as auditors by the Board of Trustees in July 2017 for a three-year term.

Signatory

The Trustees' annual report is approved by the Trustees of the Institute. The strategic report, which forms part of the annual report, is approved by the Trustees in their capacity as directors in company law of the Institute.



Howard Covington
Chair

18 June 2020