



# **Challenges for Administration and Finance in a Context of Significant Growth**

*International Workshop on Accountability in Science Funding  
Den Haag, 31 May 2006*



# PROPOSED CONTENT

**Principle = sharing an experience**

- **Brief presentation of ESF**
- **A context of change and growth**
- **Main challenges in HR**
- **Main challenges in Finance**
- **Conclusions and open exchange**



**The ESF provides a common platform for its Member Organisations in order to:**

- Advance European Research**
- Explore new directions for research at the European level**

**Through its activities, the ESF serves the needs of the European research community in a global context**



# ESF CORE MISSION

## Cooperation

- Be the natural actor of choice when national research organisations coordinate efforts to develop joint science policies or to reduce duplication and fragmentation
- Be the organisation scientists and scholars turn to for addressing their needs for European level cooperation



# ESF Member Organisations



**78 in 30  
Countries:  
Academies,  
Granting  
Agencies,  
Organisations  
of Institutes  
ESF: a non-  
profit  
association  
under French  
law**



# PILLARS OF ESF STRATEGY

- **ESF Science Strategy**
- **ESF Science Synergy**
- **ESF Programme Management**



# A CONTEXT OF CHANGE AND GROWTH

- **New strategy** → development of strategic instruments (Forward Looks, EUROCORES, EURYI)
- **Increased responsibilities (COST) since 2004**
- **Dramatic growth at short term:**
  - yearly budget                      17 M€ → 41 M€
  - transactions                        5 000 → 20 000 / year
  - staff                                    62 → 116 in 2005  
(in 2003)    (32 in Brussels)
- **Increased complexity:** EC contracts, new instruments, two locations



# A CONTEXT OF CHANGE AND GROWTH

## Overall challenges

- **In 2004/2005: face a dramatic growth at short term in a increasingly complex environment**
- **Now: further structuring the organisation and developing the activities in order to deliver the strategic priorities**





# **MAIN CHALLENGES FOR ADMINISTRATION AND FINANCE**

- **MANAGEMENT OF HUMAN CAPITAL**
- **MANAGEMENT OF FINANCE**



# MAIN CHALLENGES: MANAGEMENT OF HUMAN CAPITAL

- **Why?** → Human Capital is the key factor for the delivery of the strategy
- **Means:** → HR strategy, including corporate approach Strasbourg-Brussels  
→ new Head of HR
- **Actions:** → continuation of project “job descriptions-job evaluation-remuneration policy”  
→ reinforcement of performance based management (objectives, individual development plans)  
→ management training for all staff



# **MAIN CHALLENGES: MANAGEMENT OF FINANCE**

- **ORGANISATION AND PROCESSES**
- **FINANCIAL INFORMATION**
- **FUNDING QUESTIONS**
- **INFORMATION TECHNOLOGY AND SYSTEM**
- **GENERAL INFRASTRUCTURE**
- **CONTROL PROCEDURES**



# ORGANISATION AND PROCESSES

- **Define mission of administration and finance**
- **Define key functions to cover corporate needs**
- **Attract additional competences to develop professional team**
- **Develop multi functionality considering size of the organisation**
- **Install managerial culture**
- **Manage constraints and risks attached to external contracts**
- **Simplify operations from “pay as you go” to grant system**
- **2 locations, but 1 “shared service centre” and 1 corporate understanding and culture**
- **New procedures for new instruments**
- **Overall harmonisation of procedures for instruments**



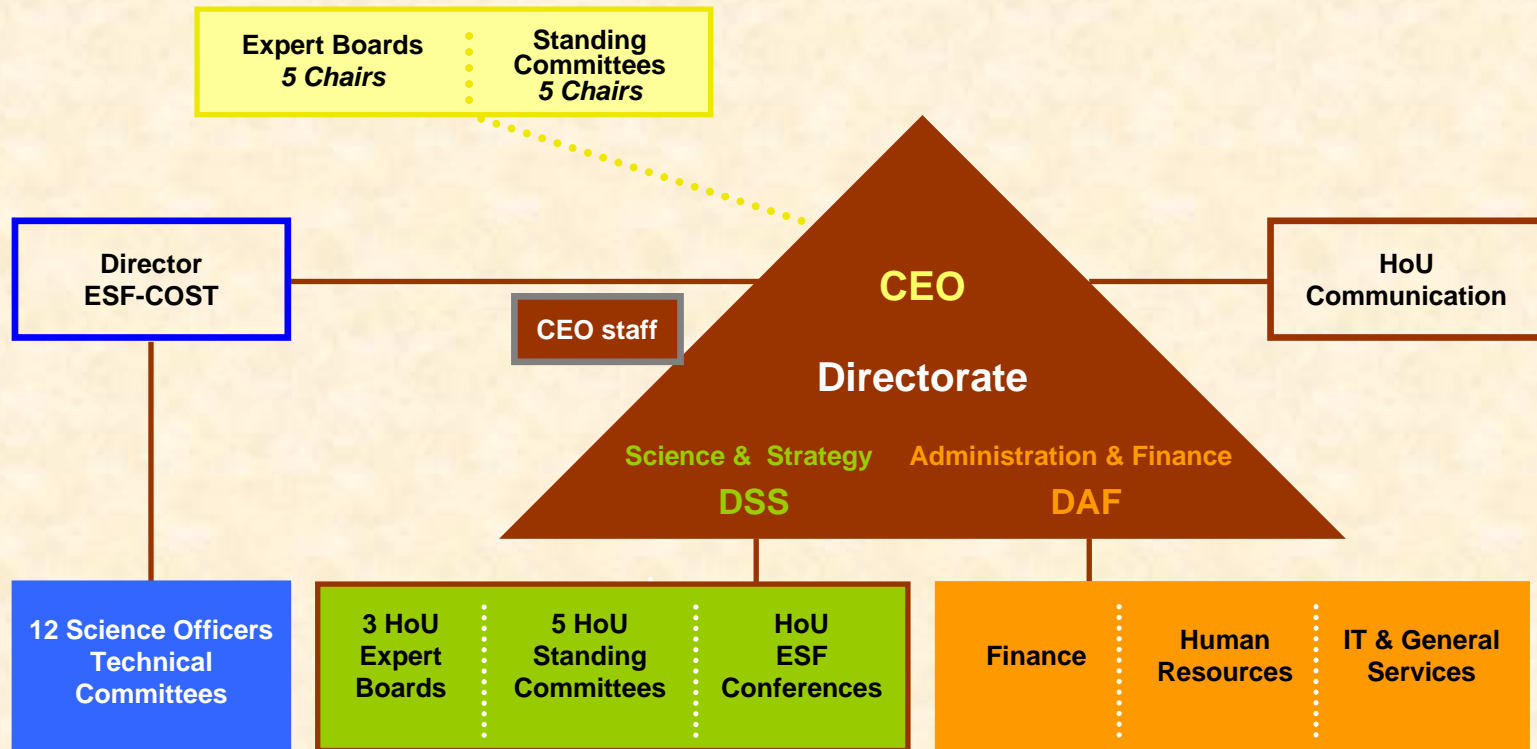
# ORGANISATION AND PROCESSES: Mission of Administration and Finance

## Permanent objectives

- Guarantee the production of high quality financial information at short notice, to support management decisions.
- Steer the financial planning (budgets/forecasts) and the financial outcome (reporting/analysis of variances/action plans for possible improvements) on a basis shared with all functions and linked with the strategy of ESF.
- Guarantee the respect of legal obligations, internal control procedures, and the safety and good management of the assets.
- Ensure an advanced Human Resources management, by combining the needs of the organisation and the development and motivation of the Staff.
- Contribute to the success of all development projects by managing the related financial and human resources aspects.

# ORGANISATION AND PROCESSES

## ESF Office Management Structure



•••• Science advice to CEO by Chairs of Standing Committees and Expert Boards

▭ Science and strategy advice to Directorate by Management Group

▭ Chief Executive Office staff

▭ ESF Science Units staff

▭ ESF-COST Office staff

▭ DAF Office staff

— Line management

- The CEO interacts on science and strategy issues with all Units and COST
- The CEO directs the development of the ESF Conference scheme
- The Directorate interacts with all Units and COST

# MAIN FUNCTIONS IN ADMINISTRATION AND FINANCE

## DAF

- Overall responsibility on Finance, Human Resources and Support Services
- Management/animation of team
- Significant negotiations
- Control
- Contribution to the definition and implementation of strategy
- Reporting to CEO/FAC/ExBo/GovCo/Assembly/EC

### FINANCE

#### Accounting

- Focus on 'actual figures'
- Production of timely and reliable financial information (reporting)
- Management of assets (Cash)
- Internal control procedures and legal compliance

#### Controlling

- Focus on 'projections'
- Animation/control of budgets and plans
- Contribution to improvement and savings plans
- Contribution to Guidelines and Procedures

#### Financial control Brussels

- Control over commitments and expenditure within COST contract
- Contribution to reporting & budgeting for COST
- Interface SXB/BRU
- Local responsibility for procedures and legal compliance

#### Project Management

- Focus on new Information System
- Availability to support implementation of new activities (especially EC related)
- Production of timely and reliable reports and proposals relating to external contracts
- Delivery in all necessary changes and evolutions

### HR

### SERVICES

### LEGAL EXPERTISE

IT

General Services

(1)

**(1)** *it is envisaged to develop an internal legal competence considering the multiplicity of legal issues*



# FINANCIAL INFORMATION

- **Improve quality and speed in producing financial information, as a support for decision taking**
  - ➔ **Closing process**
  - ➔ **regular consolidated reporting**
- **Produce multi annual Financial Plan linked to the strategy**
- **Develop consolidated budget process**
- **Meet budgets in a context of strong change and growth**
- **Produce management and statutory accounts**
- **Measure the efficiency of the organisation: necessity and difficulty of establishing a ratio for office operational costs**





# 2005 Management Accounts

## Ratio Office Operational Costs / Full Cost of Science Activities (K€)

|   |     | 2005<br>Actual | Ratio<br>B/A |
|---|-----|----------------|--------------|
| <b>(1) Science Activities largely funded by MOs</b>                   |     |                |              |
| <b>FULL COST OF ACTIVITIES (including operational office costs)</b>   | (A) | <b>15 200</b>  |              |
| of which General Administration Employment costs                      |     | 1 584          |              |
| of which Running Expenses   |     | 1 059          |              |
| <b>TOTAL OPERATIONAL OFFICE COSTS:</b>                                | (B) | <b>2 643</b>   | <b>17.4%</b> |
| <b>(2) Funds flowing through ESF</b>                                  |     |                |              |
| <b>FULL COST OF ACTIVITIES (including operational office costs)</b>   | (A) | <b>37 029</b>  |              |
| of which General Administration Employment costs                      |     | 2 440          |              |
| of which Running Expenses   |     | 1 667          |              |
| <b>TOTAL OPERATIONAL OFFICE COSTS:</b>                                | (B) | <b>4 107</b>   | <b>11.1%</b> |
| <b>(3) Total Activities (including funds not flowing through ESF)</b> |     |                |              |
| <b>FULL COST OF ACTIVITIES (including operational office costs)</b>   | (A) | <b>60 529</b>  |              |
| of which General Administration Employment costs                      |     | 2 440          |              |
| of which Running Expenses   |     | 1 667          |              |
| <b>TOTAL OPERATIONAL OFFICE COSTS:</b>                                | (B) | <b>4 107</b>   | <b>6.8%</b>  |



# FUNDING QUESTIONS

- **Manage new (external) sources of funding:**
  - ➔ **balance with main contributions**
  - ➔ **secure level of funding in the mid-long term**
  - ➔ **negotiate smooth transitions between FP's**
  - ➔ **manage cautiously the use of external overheads**
- **Manage a variety of sources of funding covering different budget components**
- **Obtain bank guarantee**
- **Optimise results on financial investments in a context of low rates**



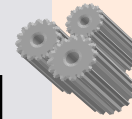
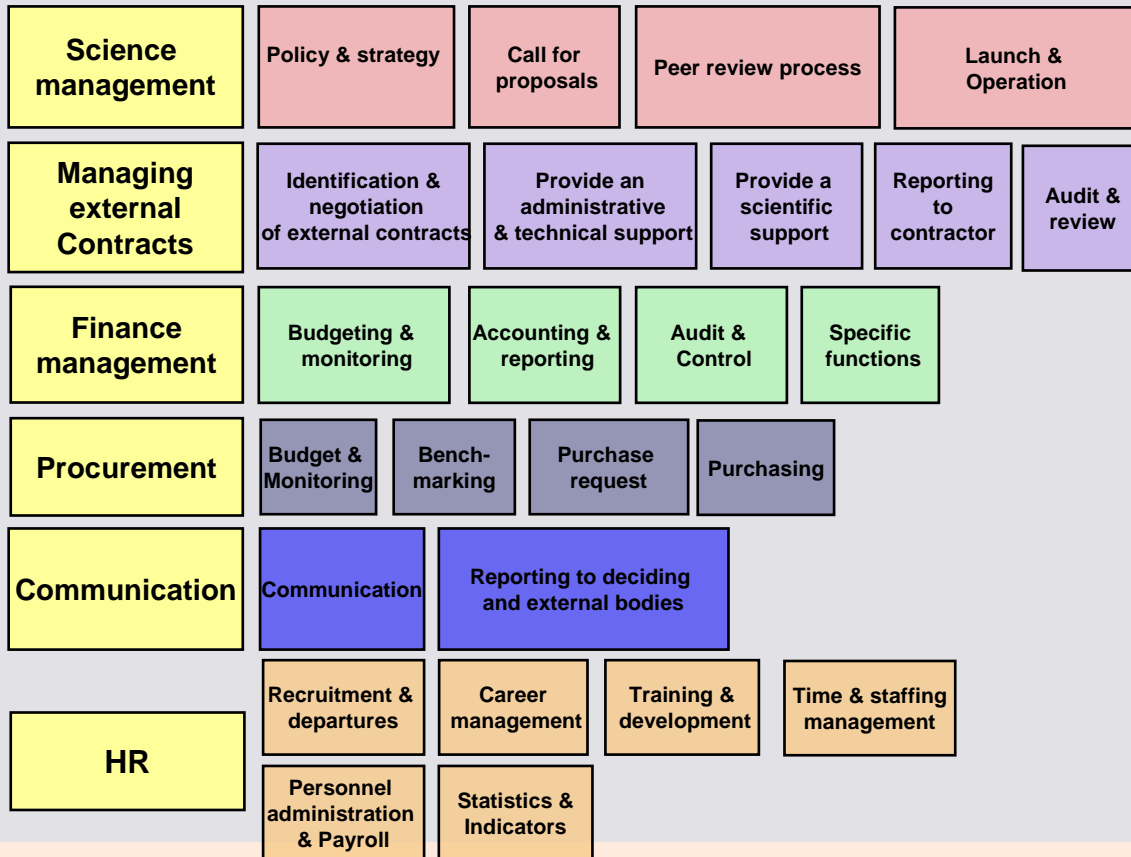
# **INFORMATION TECHNOLOGY AND SYSTEM**

- **Secure existing infrastructure**
- **Develop systematic automation of existing system to optimise delivery and achieve necessary efficiency savings**
  - ➔ **electronic payments**
  - ➔ **no paper between SXB and BRU**
- **Introduce new Information System providing integration between Science and other processes, especially Finance**

# Target system diagram

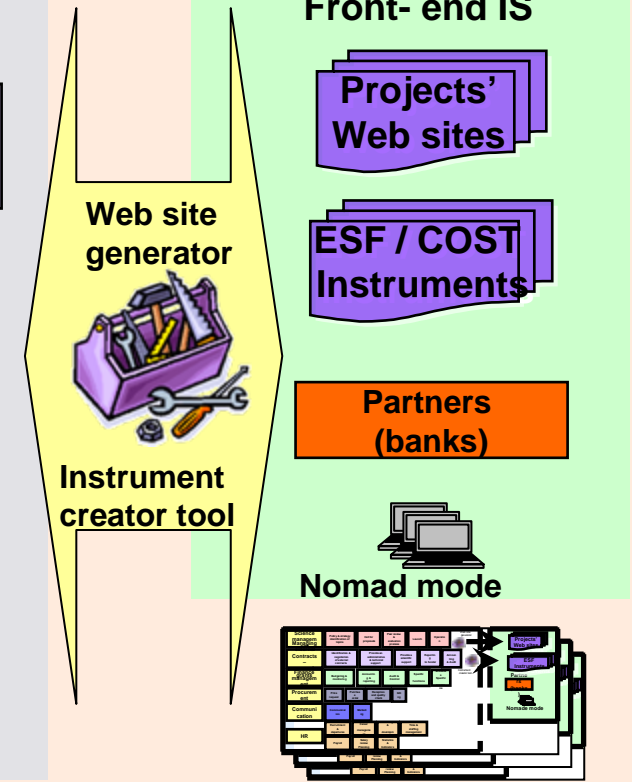
## High level security framework & Transverse office automation functions

### Internal back- end IS



Archiving – Workflow –  
Electronic messaging, etc.

### Front- end IS



Web site generator



Instrument creator tool

Reversibility



# GENERAL INFRASTRUCTURE

- **Find appropriate and economical additional office space in Brussels and Strasbourg, and ensure equipping and refurbishing at very short notice**
- **Restructure and upgrade main building to ensure appropriate work and meeting conditions**
- **Develop purchase procedures including systematic tender and negotiation**



# CONTROL PROCEDURES

- **Introduce internal control procedures**
  - Staff travel
  - Delegated authority
  - Optimised payments checking processes
- **Strengthen and manage external audit processes**
  - annual statutory audit by KPMG
  - annual internal audit by Public State Auditor
  - Periodical certification of EC contract reports by KPMG
  - Financial audit by EC Services (COST)
  - Financial audit by European Court of Auditors (COST)
  - ESF Finance and Audit Committee



# CONCLUSIONS

- **Significant growth :**
  - ➔ **Ideally structuring should be the first step**
  - ➔ **A motor for improving capacity to deliver**
  - ➔ **Leaving by doing is essential**
- **Difficulty to anticipate: often in a reactive mode**
- **Cultural dimension and conduction of change: from “individual handling” to “global processing”**
- **Advantages and limits of the size**
- **Absolute requirement: client orientation, administration and Finance as a real support to Science initiatives**