Minutes of the Council Meeting Held on 15 December 2009

Present:

Members
Sir John Chisholm (Chairman)
Sir Leszek Borysiewicz
Professor Jeffrey Almond
Mr Tony Caplin
Dr Richard Henderson
Professor Sir Andrew McMichael
Professor Sally Macintyre
Mrs Vivienne Parry
Professor Herb Sewell
Professor Michael Schneider
Lord Naren Patel
Dr Annette Doherty

Observer
Mr John Neilson (BIS)

Office Staff
Dr Wendy Ewart
Dr Tony Peatfield
Dr Declan Mulkeen
Mr John Jeans
Dr Frances Rawle
Mr Ted Smith
Mr Nigel Watts
Mr Sandy Bulger
Ms Eve Jaques (secretariat)
Ms Caroline Sutton (for items 9 and 10 only)
Ms Carole Walker (for items 9 and 10 only)
Dr Ian Viney (for Item 11 only)

Apologies
Professor Michael Arthur
Professor Dame Sally Davies
1. **Announcements**

The Chairman opened the meeting by commenting on the need for a closer link between Strategy Board and Council. In order to facilitate this, two measures would be taken: 1) the most recent Strategy Board minutes would be provided to Council in its papers so that issues of interest or concern could be discussed at the same time as matters arising from the Council minutes; and 2) some Council Members would be invited to attend each Strategy Board meeting. It was noted that the Strategy Board secretariat would make the necessary arrangements.

The Chairman congratulated Sir Peter Mansfield on winning the MRC Millennium Medal and noted the importance of his contributions to medical imaging.

Council Members congratulated Sir Leszek on his appointment as Vice Chancellor at the University of Cambridge. Sir Leszek informed Council that the process to recruit his successor had begun and reassured members that he would do all he could to ensure a smooth handover. It was noted that Sir Leszek’s appointment created a new conflict of interest and that Mr John Jeans would therefore deal with any matters concerning Cambridge University until the new Chief Executive was in post.

The Chairman informed Council that he had met Lord Drayson the previous week and that the outstanding decisions on the Commercial Fund had been discussed. The Chairman had taken the opportunity to emphasise that there was great urgency for clarity on this matter and Lord Drayson had been supportive. Sir Leszek reassured Council Members that the MRC was working closely with BIS to resolve this matter and that their support was important in helping the Treasury to reach a favourable decision.

2. **Declarations of Interest**

Council Members were asked to update their declarations of interest as necessary. Copies of the information currently held had been tabled for reference.

3. **Minutes of the Council meeting held of the 15 October 2009**

Changes to sections 5.4 and 5.5 of the minutes were requested:
- 5.4: last sentence in second paragraph- changed from "public spending cuts" to "changes in public spending"
- 5.5: penultimate sentence of the last paragraph- clarification provided about the increase in the cost of the lease on the current MRC building.

With these changes incorporated the minutes were approved.

4. **Matters Arising**

4.1 **MRC Technology governance**

Sir Leszek updated Council on the review of MRC Technology’s governance. Council members discussed the issues that were being considered in this review, including the status of MRC Technology as a charity, the level of independence of the Trustees, the extent to which MRCT was independent of the MRC, and whether MRCT funds counted as public sector. It was agreed that the relationship between the two organisations required clarification in order to determine how MRCT funding would be handled in future. Sir Leszek reassured Council that the MRC was working closely with BIS to resolve this matter.

4.2 **The MRC Laboratories, The Gambia**

Dr Ewart introduced this item and reminded Council that the proposed Business Plan for the MRC Laboratories, The Gambia had been discussed at the July Council meeting. She provided a summary of the conclusions drawn by the Global Health Subgroup at their recent meeting, noting that they were pleased with the proposal for reconfiguration. Dr Ewart informed
members that the closing date for applications for the three new theme leader posts had been December 2009 and that some interviews would be held early in 2010.

Members discussed the history of the Unit and its importance as an employer and provider of medical care in The Gambia. Council was informed that there appeared to be good candidates coming forward for the theme leader roles. Members noted the importance for the future strategy of developing links with the developing medical school in The Gambia, and more generally across West Africa.

4.3 Superclusters
Sir Leszek commented that the Office for Life Sciences had made progress in discussing the nature of the superclusters that were to be created. Council noted that paper 4b provided background on this matter.

5. CEO Report
Sir Leszek introduced this item and mentioned in particular the following matters:

5.1 UKCMRI
Sir Leszek informed Council that the project was on budget and that the RIBA re-design had been completed. Members were shown slides of the new design. Council was informed that the new design did not include any affordable housing and that this was largely owing to space restrictions.

Council Members discussed the branding of UKCMRI as a separate entity. It was noted that this may be a more critical issue for Cancer Research UK because of their need to raise funds. Despite this, Sir Leszek informed members that it had been agreed that all parties would be represented equally in the branding.

The importance of the transition of NIMR to UKCMRI was discussed and it was emphasised that the quality of research at NIMR must be maintained to ensure that high quality science transfers to UKCMRI. Sir Leszek confirmed that the new entity would have one director and that the structure would involve integration of the constituent groups, regardless of funder. In order to achieve this, work would be done to create this structure in a virtual sense before the physical move.

5.2 STFC finances
Council Members were informed that STFC had a deficit from recent years that had to be paid back next financial year, as well as being adrift from their budget owing largely to changes in exchange rates affecting contributions to international projects. Sir Leszek informed members that at a special RCUK Executive Group meeting, the Research Councils had agreed to contribute to STFC £14m in 2009/10 in total in order to prevent the rescinding of grants already awarded. Sir Leszek made clear that this was a one-off payment and that it did not set a precedent for the future.

A statement from STFC was due to be released on 16 December 2009. It was believed that the STFC's shortfall would be of short duration and would not be repeated in the following year.

Council Members suggested that the MRC should to be very clear about the governance surrounding this donation. They also suggested that communication of this matter would need to be handled very carefully.

Council endorsed the RCUK Executive Group’s decision in this instance.

5.3 ERPIC
Sir Leszek thanked Lord Patel for his efforts in re-establishing the Ethics, Regulation and Public Involvement Committee. Members requested that ERPIC report directly to Council as well as to Management Board. This should be at least once a year, and more often if issues arose.

5.4 Medical Research Foundation

Council noted that the MRF annual report and accounts had been accepted by Management Board.

6. Finance

Mr Watts introduced this item and noted that the STFC payment referred to in section 5.2 was not included in the paper relating to this item.

Mr Watts informed Council that resource expenditure was £11million under budget, half of which was accounted for by the intramural programme, and the remainder largely due to the reclassification of expenditure on the Biobank project as capital.

Mr Watts expressed confidence that the MRC was on course for a balanced budget at the end of the year, but noted that there were some uncertainties to be accommodated. These included the decision on the Commercial Fund, the impact of a NAO-driven change of policy on retirement provision, and the potential need for a restructuring provision for the Gambia Laboratories. Mr Watts noted that contingency plans for managing the risk included the possibility of pushing grant payments forward or back over the year-end. He expressed concern that if a favourable Commercial Fund decision was made very late in the financial year, there was a risk that funds held back would be lost.

Some members expressed a concern that the accounts were presented in a way that was difficult to understand. The Chairman noted that efforts had been made to make finance papers clearer but that these would be redoubled. He also suggested that the finance team provided briefing to Council members individually or in small groups on request. Mr Watts commented that an NAO representative was due to give a presentation to the Council Audit Committee on government accounting. He also commented that the government was moving away from the use of “non cash”, and that the MRC would be moving to the International Finance Reporting Standards (IFRS) system in 2010.

7. Medium Term outlook

Sir Leszek presented this second finance paper, which presented a high level budget proposal for years following 2009/10. He reminded members that the most significant uncertainty was the level of funding to be received from BIS.

Sir Leszek clarified that the commitment budget included new grants and unit quinquennial renewals above the agreed renewal baseline. He noted that a key assumption made in the preparation of the proposals was the setting of the Commercial Fund cap at £30m pa.

Sir Leszek added that the baseline assumption for intramural renewals would be reduced from 95% to 90%. Any amount requested by Units above this now lower baseline would be considered by the Boards in direct competition with extramural applications.

Members discussed the potential implications of reduced funding. It was suggested that the MRC should be clear about what activities would not be supported in these circumstances and should be ready to emphasise the value that would be lost.

Members discussed the problems with availability of capital for 2010/11, and noted that the capital costs of UKCMRI were to be covered in part from the proceeds of land sales. One way of addressing the capital shortfall might be to bring land sales forward, but the risk was that the sale price would be significantly lower.
8. **Budget setting**

Sir Leszek informed members that the portfolio document would be rewritten for the March Council to map the awards against the Strategic Plan priorities.

Sir Leszek made a presentation outlining the budget allocation for 2010-11 that had been proposed by Strategy Board. This included a total commitment budget of £340m, £154m of which would be allocated to the Boards. Board commitment allocations for 2010/11 would remain largely the same in cash terms, namely:

- IIB: £34.2m
- MCMB: £38.7m
- NMHB: £43.8m
- PSMB: £37.6m

However, this included 10% of intramural renewals so would represent an effective reduction. Training would receive approximately level funding at £68m, but the balance of support between schemes may be adjusted. The budget would ensure that MRC maintained its £63m per annum translational research spend, including £43m for the managed programme, which included methodology and stem cell research committees. A further £13m would be allocated to EME trial funding. The Strategy Budget would receive a small increase to £58m, although it was noted that there would be increased pressure on this budget given the range of activities (including Institute reviews) under consideration. Sir Leszek noted certain areas of research that needed to be developed, such as mental health, wellbeing, material research and trauma.

Council agreed with the proposed allocations. Members discussed the possibility that funding cuts would be imposed. They supported the approach of focussing cuts on specific lower priority areas of activity to address this, rather than “cheese-paring” a set amount from all programmes. Any such action would need to be aligned with the Strategic Plan, and the Board Chairs would need to be mindful of the MRC’s priorities.

The importance of Members observing Strategy Board meetings was emphasised, noting that it would enable Council to make more informed decisions about priorities in future budget-setting.

9. **SSC risk review**

Ms Sutton and Ms Walker joined the meeting for this item. Mr Jeans introduced the item, noting that the SSC was on the corporate risk register. Ms Sutton described the risk profile for the SSC and noted that it was likely to change as progress was made. She highlighted that there were significant risks associated with the transition to new computer systems, and members agreed that appropriate training needed to be provided in a timely manner, and champions identified to minimise these cut-over risks. Members were informed that planning was geared towards a go-live in June 2010. The MRC would be able to learn from the experience of other Councils going live earlier.

10. **Head Office risk review**

Mr Bulger introduced this item, updating Council on the current status of the Head Office transition. An implementation team had been assembled to manage various aspects of the transition. All staff had been told whether their post would remain in London or transfer to Swindon. It had become apparent that few staff would transfer from London to Swindon.

The business case for the office on Welbeck Street had been submitted to BIS, but they had come back with a proposed alternative property. It was hoped that a decision would be made by the end of December.

Members were informed that Head Office accommodation in Swindon was now likely to be in Polaris House. ESRC had now agreed to move to another area of the building, which would free up sufficient space for the MRC to occupy a contiguous block of space.
11. e-Val update

Dr Viney gave a presentation to Council, updating them on progress with MRC e-Val, and demonstrated the data that would be collected. He said that e-Val would be discussed further at the March joint Council-Strategy Board meeting, at which some preliminary findings would be presented.

12. Approval of IIB Board Chair

Council members congratulated Professor Debbie Smith for doing an excellent job as IIB Board Chair, and approved the proposed appointment of Professor Doreen Cantrell as the new Chair from 1st April 2010.

13. Audit committee update

Council attention was drawn to this paper, which summarised the minutes from recent Council Audit Committee meetings.

14. Any other business

Members commented that they had found the presentations from Directors of the MRC Scottish Units and Centres the previous afternoon interesting and informative, and thought that this was a format worth repeating in other regions.

End of meeting
Summary of Actions

Item 1- Dr Ewart to make arrangements for Council Members attend Strategy Board meetings.

Item 6- Mr Watts to ensure that Finance papers are as clear as possible, and to offer a briefing to Council members to help them understand the system that is used.

General- Ms Jaques in future to include the date of the next Council meeting on the agenda.