Minutes of the Council business meeting held at the Grange Holborn Hotel on 10 December 2015

Present:

<table>
<thead>
<tr>
<th>Council</th>
<th>Head Office staff</th>
</tr>
</thead>
<tbody>
<tr>
<td>Mr Donald Brydon (Chairman) (items 1 – 9 only)</td>
<td>Ms Sam Bartholomew</td>
</tr>
<tr>
<td>Sir John Savill (CEO)</td>
<td>Mr Sandy Bulger</td>
</tr>
<tr>
<td>Dr John Brown</td>
<td>Mr Hugh Dunlop</td>
</tr>
<tr>
<td>Professor Doreen Cantrell</td>
<td>Mr Bruce Minty</td>
</tr>
<tr>
<td>Professor Chris Day</td>
<td>Dr Declan Mulkeen</td>
</tr>
<tr>
<td>Professor Dame Janet Finch</td>
<td>Dr Tony Peatfield</td>
</tr>
<tr>
<td>Professor Dame Sally Macintyre</td>
<td>Ms Sally-Louise Smith</td>
</tr>
<tr>
<td>Baroness Onora O’Neill</td>
<td>Dr Frances Rawle</td>
</tr>
<tr>
<td>Dr Mene Pangalos</td>
<td>Dr Sherie Wright</td>
</tr>
<tr>
<td>Ms Vivienne Parry</td>
<td></td>
</tr>
<tr>
<td>Professor Michael Schneider</td>
<td></td>
</tr>
</tbody>
</table>

| Observers                                    |                            |
| Rebecca Endean (BIS) (from item 5 onwards)   |                            |

Apologies:
Professor Dame Sally Davies
Professor Patrick Johnston
Dr Ruth McKernan

Council business meeting

The meeting began at 1.15pm.

1. Announcements and apologies

   Mr Brydon welcomed members to the meeting and noted that apologies had been received from Dame Sally Davies, Professor Johnston and Dr McKernan.

2. Register of declared interests

   The Chairman requested that members inform the secretariat of any updates to their declarations of interest.

3. Minutes of the Council meeting held on 1 October
The minutes of the Council meeting held on 1 October were approved as an accurate record.

4. Matters arising

4A. Report from the Council Audit and Risk Assurance Committee

Dame Janet updated members on the key discussions at the Council Audit and Risk Assurance Committee (CARAC) meeting on 3 November. She informed Council that the meeting had taken place at the Cognition and Brain Sciences Unit in Cambridge. The meeting had been very straightforward and had included reviews of the corporate risk register and the fraud risk register which had been included as annexes to the Council paper.

4B. Update from the Strategy Board meetings held on 20 October and 9 December

Sir John updated Council on discussions at the Strategy Board meetings that had been held on 20 October and 9 December. Ms Parry had attended the October meeting and Professors Cantrell and Day, Dame Sally Macintyre, Drs McKernan and Pangalos and Ms Parry had attended the December meeting.

Opportunities for MRC/British Heart Foundation (BHF) engagement had been discussed at the October meeting. Professor Peter Weissberg (Medical Director), Professor Jeremy Pearson (Associate Medical Director (Research)) and Dr Shannon Amoils (Senior Research Advisor) from the BHF had attended the meeting. Strategy Board had noted areas of synergy and common interest and agreed that there was potential for joint working in many areas.

Strategy Board had also received an update on the developing “Technology Touching Life” (TTL) initiative, following the publication of the Maxwell report.

The December Strategy Board meeting had taken place the day before and Strategy Board had discussed the quinquennial review (QQR) of the MRC Clinical Sciences Centre (CSC). Council would receive a report on the outcome of the CSC QQR, and Strategy Boards’ recommendations for the future, for endorsement in March 2016.

Strategy Board had approved funding to proceed to the main phase of the UK Biobank imaging study which aimed to enhance the UK Biobank resource by conducting multiple imaging assessments on up to 100,000 UK Biobank participants. The imaging study was a partnership between the MRC, Wellcome Trust and BHF. Funding for the main study would be split £3m (BHF), £17.15m (Wellcome Trust), and as sole funder of the imaging pilot study which had cost £9.6m, the MRC’s contribution to the main phase would be £7.55m.

Strategy Board had also considered proposals for investment in phase II of the International Mouse Phenotyping Consortium (IMPC) and approved an award of £2m over two and a half years, followed by a review of the investment.

Strategy Board had approved the funding recommendations for the inaugural Discovery Award scheme. The Discovery Awards were a new mechanism for the MRC to work strategically with universities via an annual, developmental award, focused on basic discovery research. A bespoke panel had been established to review applications and Strategy Board had approved ~£8m of supportable work for funding.

Finally, Professor Dame Anne Johnson (UCL, Chair of Health of the Public in 2040 Working Group) had attended Strategy Board to present key issues emerging from the Academy of Medical Sciences (AMS) ‘Health of the Public in 2040’ project. This was an AMS led review of the factors that would influence the health of the UK population over the next 25 years.

---

1 The importance of engineering and physical science research to health and life sciences (https://www.epsrc.ac.uk/newsevents/pubs/the-importance-of-engineering-and-physical-sciences-research-to-health-and-life-sciences/)
5. Comprehensive spending review

Dr Mulkeen introduced this item. Council noted that the Chancellor of the Exchequer, George Osborne, had delivered his Spending Review and Autumn Statement 2015 speech to Parliament on 25 November, and the £4.7bn science and research budget had been protected in real terms alongside £6.9bn in the capital budget. The science budget settlement would include a new Global Challenges Research Fund of £1.5bn over the next five years to be managed through the Research Councils, the national academies and other partners. This was designed to ensure that UK science took a leading role in addressing the problems faced by developing countries, and was part of the official development assistance (ODA) package.

However, allocations across the science budget were not yet known and the headline of flat real may not reflect the settlement for any individual Research Council. Individual Research Council allocations were expected to be decided and published by February 2016. Sir John informed Council that each Research Council would bid for its share, highlighting priorities and budgetary pressures.

Mr Brydon welcomed Ms Endean to the meeting and expressed Council’s thanks for all the work she had put into the spending review.

Ms Endean commended Sir John on the fantastic job he had done in making the case for science in the spending review. She confirmed that BIS’s budget had been reduced by 17 per cent and Council noted that the MRC’s administration budget was likely to fall by at least five per cent per year. She also reported that the Newton Fund still existed outside the science ring-fence and funding for this would be doubled to £150m per year.

6. The Nurse Review

Dame Janet was a member of the Nurse Review Advisory Group and Baroness O’Neill was a member of the Reference Group. Both remained in the room at the Chairman’s invitation.

Sir John introduced this item and reminded Council that the Nurse Review had been published on 19 November. The Chancellor had announced in his Spending Review and Autumn Statement speech that the Government would implement the Review recommendations. The main proposals included the creation of Research UK (RUK), which would be a non-departmental body under BIS, and a new Chief Executive would be appointed who would become Accounting Officer for all of the Research Councils. Sir Paul had not proposed a merger of the Research Councils. RUK would be an “umbrella organisation” under which the Research Councils would retain their distinct identities, including the right to employ staff and own facilities.

Sir John informed Council that a model he envisaged working could be like that of a university [RUK] with seven subsidiary companies [the Research Councils]. Each company would have a specialised board and may employ specialists. The companies’ accounts would all be consolidated into the university accounts and the Vice Chancellor [RUK CEO] would be accountable to the governing body for those accounts. The subsidiary companies could all take HR, estates services etc. from the university [RUK].

Mr Brydon added that it was common practice for private sector companies to have wholly-owned subsidiaries with their own legal status. He suggested that there could be read-across from the commercial sector in determining how to implement the Nurse Review, perhaps by seeking the advice of a recently retired company secretary as to how the structures might work.

Ms Endean confirmed that the details of how the Nurse Review would be implemented were still to be determined but that work had begun on establishing the key principles to be followed. These included:

- The Haldane Principle should continue to be applied;
OFFICIAL

- ‘Subsidiarity’ – ie decision-making devolved to the individual Research Council level unless related to interdisciplinarity and Global Challenges;
- To drive efficiency and sharing of back office functions – IT, HR and grants to be managed jointly across the Research Councils;
- Commitment to retain dual-support for HEIs;
- A single body with a single Accounting Officer but with distinct disciplinary spokes to interface with the community.

Ms Endean confirmed that the principles and options for implementation were being worked through and all interested bodies were being consulted. Creating RUK would require primary legislation so there would be a separate white paper for consultation in due course.

Members highlighted the importance of retaining the public’s trust in science given the substantial amounts of public money invested in it. Currently the Government was not trusted by the public but scientists were, and there was a risk that the public perception would be that the Government was taking over scientific decisions if communications for each of the Research Councils were moved into a centralised function. Ms Endean agreed that research communication should not be politicised and noted that communication was specifically referred to in the MRC’s Royal Charter.

Members strongly agreed that the new structure should allow the Research Councils to continue to be flexible and risk-taking. It was highlighted that one of the reasons research in the UK was so strong was because of the Research Councils and the way that they operated. Sir John noted that the ability to take risks was one of the MRC’s strengths, an example of which was working with industry. It was likely that this would not have happened if the MRC had not had the confidence of being a legal entity able to make commitments and enter into agreements with companies. Members agreed that it was very important for the MRC to retain that level of independence and autonomy.

Members stressed the importance of ensuring that the changes did indeed lead to increased efficiency and for more money to be spent on science and less on bureaucracy and administration. However, it was not something that should only be judged in terms of cost-saving; it was about the restructuring of a constitutional arrangement and it was vital that the decision-making process had good judgement and the right degree of independence from Government. The end result must be a good structure for delivering excellent science that contributed to the public good.

Finally, Sir John concluded by stating that the UK had a highly efficient world-leading system and the new arrangements must not damage the excellent science that was currently being done.

7. Research Councils together

Sir John informed Council that the aim of the paper was to provide background information and to seek support from the seven Councils for closer working between their respective organisations. The paper had been prepared by RCUK and signed off by the seven CEOs and was being shared with all seven Councils.

The Research Councils’ Executive Group (EG - the seven Chief Executives plus the RCUK Executive Director) had already agreed to develop and deliver a cross-Council Operational Cost Reduction Programme (OCRP) and to operate together at the strategic and operational levels. The programme was in-line with the direction of travel recommended by the Nurse Review. Reductions in operational delivery costs would involve a move to a set of single, common, centrally-led operational functions and therefore a changed organisational model for collective activities. The intention of the CEOs had been to recognise the changing environment and to build a plan with a real commitment to deliver administrative savings.

The majority of the Research Councils’ functional areas would move towards delivery through a single model, unless there were compelling business or research reasons to
retain them in Councils. To achieve this, functional areas would be placed into the following categories:

- Work that was clearly Council- or discipline-specific – likely to include Council strategic planning, Council/discipline-specific stakeholder engagement, discipline-specific research funding decisions and discipline-specific peer review. It would include all of the Research Councils’ institutes, laboratories and facilities.
- Areas for rapid development towards a strong, single core of services – likely to include collective research and funding strategies and core, head office professional services such as Business IS/IT, HR, finance, office estates and communications services.
- Areas that either had elements of common and individual delivery or where there would need to be decisions around strategic direction – these could include: public engagement, aspects of stakeholder engagement, knowledge exchange, innovation, specialist procurement and estates and international work.

Work was underway to identify in which category the different functions should sit.

Council noted that as Accounting Officers, the CEOs had the authority and responsibility to administer their own affairs; however, the CEOs recognised the value and importance of engaging with their respective Councils so had brought these plans to their attention to request endorsement.

Members queried whether all Research Council staff would be placed under the same terms and conditions of employment. Mr Minty informed members that six of the Research Councils were already on the same terms and conditions with only the MRC still to change. One issue was that staff at the other Research Councils were contracted to work 37 hours per week whereas at the MRC contractual hours were currently 36 hours per week. It was hoped that a solution would be found shortly and MRC staff would move on to the same terms and conditions as those of the other Research Councils.

It had been proposed that an Operational Cost Reduction Programme Assurance Committee should be established across the Councils to oversee the outcomes expected in relation to the different aspects of work. The committee would be established from a sub-set of Research Council Audit Committee members and STFC and EPSRC Audit Committee Chairs had already volunteered to be members of the committee.

Council members confirmed their support for the ‘Research Councils Together’ programme. Although it was noted that research institutes were out of scope, Council welcomed the fact that the change programme’s assurance committee already involved the audit chair of a Research Council with institutes (STFC). As Chair of CARAC, Dame Janet confirmed that she would be prepared in principle to participate in the committee but thought this would be difficult to achieve given her time commitments elsewhere. Consequently, members confirmed that they would be content if the Programme Assurance Committee did not involve a specific representative from the MRC.

8. **CEO’s report**

Sir John Savill introduced this item and discussed the following matters:

**Conclusion of Prion Unit QQR**

Sir John informed members that the proposals agreed by Council at the October meeting regarding the outcome of the Unit’s QQR had been accepted by the Board and by the director, with one caveat. The caveat from the director related to the recruitment of the group leader for the Structural Biology programme. The director had made the point that the appointment should be at Chair level and approval and appointment processes for such a post meant that it would be impractical to appoint by the end of the financial year, but that it would be damaging to suspend funding for the programme pending recruitment of the new programme leader.
Council approved continued funding of the programme until the appointment was made and agreed it would be useful to receive an update from the director in October 2016 regarding progress with recruitment.

Prion Unit building project
Mr Bulger informed Council that there was a pressing need to re-house the Prion Unit as the current accommodation was at capacity and maintenance issues were severely impacting on the unit’s day-to-day activities. The Courtauld building had been identified by UCL to house the unit but it required major refurbishment. Construction was now underway with completion expected by the end of 2017.

9. Finance report
Mr Dunlop reported that the year-to-date results were on track and the forecast outturn for the year indicated that, as a result of an increase in intellectual property (IP) income, there was currently a projected surplus of £33m that could be allocated to high-quality, peer reviewed rapid spend initiatives.

The two key risks within the budget related to uncertainty regarding the timing of a decision on the settlement of certain disputed royalty revenues and an agreement on the old LMB building dilapidations.

Administration expenditure was expected to be £1m lower than budget and BIS had been informed so that the money could be used elsewhere. Finally, capital was forecast to come in on budget.

Mr Dunlop informed members that the MRC Pension Scheme’s financial position was reviewed annually between triennial valuations. The annual review as at 31 December 2014 continued to show a positive funding position although with a smaller surplus of £109m (compared to £160m in December 2013). The reduction in surplus was primarily due to changing economic conditions over the year resulting in an expectation of lower investment returns in the future. The scheme actuary was currently undertaking the next interim evaluation and if any issues emerged these would be reported to Council.

Mr Brydon left the meeting and Sir John chaired the remainder of the meeting in his capacity as the Deputy Chair of Council.

10. The Francis Crick Institute – proposed amendment to Articles of Association
Council approved the proposed revisions to the Crick’s Articles of Association as detailed in the paper and agreed to delegate to Management Board decisions on any future proposed changes to the Articles, unless they were potentially controversial in which case Council approval should be sought.

11A. University units update
Council noted the progress with the university unit programme which had been outlined in the paper.

12. Draft agenda for March 2016 Council meeting
Sir John informed Council that, following on from the discussion at the October Council meeting, there would be a further discussion regarding gender balance on the MRC’s boards and panels at the March 2016 meeting.
13. **Review of Council’s effectiveness**

Dr Rawle informed Council that this item had been added to the agenda at the request of the Chairman. She reminded members that recommendation 2.4 of the Triennial Review of Research Councils was that all Research Councils should consider undertaking independent reviews to appraise the effectiveness of their board at regular intervals, in line with best practice. Research Councils’ governance leads had discussed how to deal most efficiently with the requirement for regular independent review of Council effectiveness and a summary of three other Councils’ recent experiences had been included in the paper for information.

MRC Council’s last external effectiveness review had been carried out by the Department of Health’s Effectiveness Team and discussed by Council in March 2012. The next external review was due in 2016/17. Council agreed that, at an estimated cost of ~£50k, using external consultants would not be good value for money. Members supported the idea of drawing people with appropriate expertise from across government departments and NDPBs to undertake reviews on a quid pro quo basis (as for Gateway reviews), which could lead to considerable efficiency savings across government, and Ms Endean agreed to explore this idea further within BIS. Council agreed the matter should be revisited at the next meeting when the Chairman was present.

14. **Any other business**

Members congratulated Sir John, Mr Brydon and MRC staff members for all their work on the CSR.

Sir John thanked Council and noted his gratitude to the staff of the BIS research base who had done an excellent job.

Ms Endean also noted particular thanks to the CEOs of the Research Councils for their engagement, hard work and ideas such as ‘Research, Innovate, Grow’.

**For information: MRC Research and Training Portfolio Review 2014/15**

Dr Mulkeen informed Council that the portfolio review was undertaken by the Research Programmes Group on an annual basis. A highlight in the 2014/15 review was that the infections and immunity portfolio had become more diverse, with increases in bacteriology and fungal disease research at the expense of virology research. There was more to be done on the global health side, and work was underway to increase diversity in the MRC’s approach, with initiatives to increase support for research in chronic/non-communicable diseases.