Minutes of the Council meeting held on 05 July 2010

Present:

Members
Sir John Chisholm (Chairman)
Sir Leszek Borysiewicz
Professor Jeffrey Almond
Professor Michael Arthur
Mr Tony Caplin
Professor Dame Sally Davies (from item 7)
Professor Chris Day
Dr Annette Doherty (from item 5)
Dr Richard Henderson
Professor Sally Macintyre
Mrs Vivienne Parry
Naren, Lord Patel
Professor Herb Sewell

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 Carole Walker (for items 8 and 9 only)
Ms Eve Jaques (secretariat)

Apology
Professor Michael Schneider

Guest
Ms Elizabeth Jones (Hewitsons) – for Item 12 only
1. **Announcements**

The Chairman welcomed Professor Day and Mr Minty, who were attending their first Council meeting, and announced that Dr Michael Kilpatrick had been appointed as head of the MRC London Regional Centre. He also thanked Mr Watts, who was stepping down as Director of Finance, for his excellent work. The chairman reminded Council that it was Sir Leszek’s last meeting as he would be leaving the MRC to go to the University of Cambridge at the end of September. He also informed Council members that Ms Jaques would be leaving the MRC shortly.

He updated Council on the recruitment of a new Director to lead the new MRC-University of Glasgow Centre for Virus Research. Professor Massimo Palmarini had been appointed to succeed Professor Chris Preston, who had been Acting Director of the MRC Virology Unit since September 2009. The Chairman also announced that Professor Enzo Cerundolo had been appointed Director of the MRC–Oxford University Human Immunology Unit. He had succeeded Sir Andrew McMichael who stepped down on 30 June.

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 on the 5th & 6th May 2010**

The minutes of the Council’s meeting in May were approved as an accurate record and signed by the Chairman.

4. **Matters Arising**

4.1 **MRC Technology (MRCT) governance**

Sir Leszek informed Council that MRC’s discussions with BIS over MRCT’s governance were continuing. The MRC had, the previous week, sent a letter to BIS with a proposal. Mr Neilson confirmed that BIS had not had time to consider the letter, but Council could expect a substantive reply before the October meeting.

4.2 **Revision of the compensation terms**

Mr Smith introduced this item. He reminded Council that at the last meeting an Employee Representation Forum (ERF) meeting had been held to discuss the government’s request that the MRC bring its compensation terms into line with those proposed for the Civil Service. Since then, the PCS Union had successfully challenged the Government in court and the new scheme had been withdrawn by Government as a consequence. The new Government was now looking at whether to appeal to the Court’s decision or make amendments to the relevant legislation.

Mr Smith informed members that the MRC had been working on one of the actions from the ERF. A very productive meeting had been held with the Trade Union Side to discuss how to improve redeployment of MRC staff.

4.3 **Council Governance Committee**

The Chairman informed Council that the basic principles of the changes made to the Council subcommittee structure had been agreed and that he would discuss with individual Council members how best to make use of their expertise. It was noted that it could be advantageous to appoint members whose expertise was not directly associated with the purpose of a subcommittee as they may bring new insights.
There was some discussion about whether Council should have better oversight of MRC Technology. Members were informed that MRC Technology was governed by a Board of Trustees, most of whom were appointed by the MRC.

It was noted that Management Board had supported the changes proposed through the governance review, including that once the cycle of items on the major corporate risks was completed, Council should in future normally discuss corporate risks in the context of reports (written or oral) from the Council Audit Committee which would review risks on a regular basis.

4.4 Council Audit Committee

Mr Caplin highlighted two points from the recent meetings of the CAC. He noted that although the MRC would never be able to eliminate fraud, CAC members were comfortable that the Executive team had done all it should to prevent fraudulent acts.

He also highlighted the concern of the committee about the SSC Ltd. He informed Council that the auditors had noted the Executive team’s excellent work in assisting the SSC Ltd where possible, most recently with their accounts.

Council were reminded that the SSC Ltd’s problems with their accounts had meant that it was highly unlikely that the MRC, or any other Council, would be able to submit its Annual Report and Accounts to Government before the summer recess (27 July). The auditors had been satisfied that the delay was entirely due to the SSC Ltd.

Clarification was provided about the required timing for submission of the Annual Report and Accounts (AR). Although it had become expected that the AR would be submitted before the Parliamentary recess, the statutory requirement for submission was November. It was pointed out that in a Spending Review year, this delay was not helpful and it may raise issues about the Research Councils’ interface with SSC Ltd. Sir Leszek informed Council that the RCUK Executives had agreed an action to improve governance arrangements with the SSC Ltd.

4.5 Ethics, Regulation and Public Involvement Committee (ERPIC)

Lord Patel reported that ERPIC had held two meetings since being reinitiated and that the committee was working well. Many of the issues that were being discussed were reviews or consultations being conducted by other entities. He noted that at the next ERPIC meeting they would discuss a workplan for the coming year. He also welcomed the Governance Committee’s suggestion of greater Council representation on the committee.

4.6 Strategy Board Minutes

Sir Leszek noted that the Comprehensive Spending Review (CSR) had been discussed at the previous Strategy Board meeting and that the next meeting (12 July) would be critical for decision-making. For this reason, there was an open invitation for Council members to attend. A written invitation would be issued by the SB secretariat. Council was informed that an extraordinary Strategy Board meeting may also be held in August and that, if necessary, an extraordinary meeting of Council may be called. Council agreed that this meeting may be held in person, via conference call or email depending on the issues and circumstances at the time.

There was discussion about the governance of the decision-making around the CSR. Clarity was provided in that Council would approve the level of prioritisation required and Strategy Board would make a proposal of how this may be done. Council would then have final approval.

5. CEO Report

Sir Leszek introduced this item and mentioned in particular the following matters:
5.1 The Budget
Sir Leszek informed Council that, following the budget in June, some instructions had been sent to the research councils from BIS. These included a reminder to adhere strictly to the MRC’s travel and expenses policy, and the imposition of a marketing freeze. He drew Council’s attention to the tabled summary of the latter, which listed examples of work which would cease and those which would continue. Sir Leszek also informed Council members that research councils had been reminded that meetings with ministers outside BIS in the lead up to the CSR announcement may be seen as lobbying.

Sir Leszek informed members that the recruitment freeze that had been imposed on the public sector had generated two specific issues which were currently being addressed: i) Swindon recruitment drive; and ii) the clarification of “front-line” staff with particular focus on Career Development Fellows (CDF). Sir Leszek was delighted that discussions with BIS over recruitment to Swindon-based posts had been resolved and recruitment with certain conditions attached would proceed shortly. He informed Council that recruitment to Units and Institutes of research staff, including appointment of CDFs had been held up (though students could continue to be appointed). This was due to the lack of clarity over the definition of “front line staff”. This matter had already resulted in two excellent candidates securing posts elsewhere. Council was reassured that the MRC and BIS were working hard to resolve this issue quickly.

Mr Neilson added that the austerity measures being taken would deliberately send a signal through the public sector. Members emphasised that the MRC should continue to promulgate the message that in order to achieve the economic growth that the Government sought, the high-tech sector would be critical.

5.2 UKCMRI
Sir Leszek informed Council that an excellent candidate had been indentified for the position of Director of UKCMRI and that negotiations of their contract were ongoing. Planning had progressed and it was expected that the planning application would be submitted in August, one month ahead of schedule.

The Government had announced that it was reviewing large-scale programmes, and that the Major Projects Review Group would be scrutinising UKCMRI against a value-for-money agenda during the week beginning 19th July. The review was being treated very seriously but there was confidence that there was political support, and a very strong economic case based in part on the leveraging of funds from the charity sector.

Sir Leszek informed Council that the RCUK Executive Group had reconfirmed that UKCMRI was, across the Councils, a top priority.

5.3 RCUK SSC Ltd implementation project update
Council were informed that all finance, HR and procurement back-office functions had been successfully transferred to SSC Ltd. The project team were focusing on the ERP (‘Enterprise Resource Planning’) transfer to Oracle, with a current go-live planned for the end of the year. Mr Jeans reassured Council, however, that the transfer would not go ahead until there was confidence that functionality was suitable.

He noted that the grants schedule continued but with some risk to the development activities. A small delay in the grants project deliverables risked a significant impact on go-live schedules given the timing criticality of Board rounds.

Mr Jeans informed Council that the project board had allocated £4.5 million from the contingency to approved expenditure. He also noted that the new Senior Responsible Owner, Professor Delpy, had engaged PA Consulting to made recommendations about the governance of SSC Ltd. They had included splitting the ERP go-live activity for the MRC from that for other research councils so that a specialist could be appointed. The outcome of the review had not yet formally been agreed.
Mr Jeans informed Council that SSC Ltd was established to initiate the service for the research councils and that its business plan anticipated that it would need to evolve once this was achieved. It was agreed that the current scale of operation (around 10,000 users) was insufficient to ensure cost-effectiveness, and that a service company of this nature needed at least 20,000 users to break even. There were several options for the future of SSC Ltd, including merging with a similar organisation, increasing its customer base (although this may be hampered by the fiscal climate) or being purchased. It was noted that the evolution of the SSC Ltd may provide the opportunity for the MRC and other research councils to achieve an arm’s length relationship with SSC Ltd, which would have significant advantages.

5.4 Head Office relocation
Mr Jeans informed Council that the refurbishment of the MRC offices in Swindon was going well and that 30 staff were now in post. The lease on Kemble Street had not been signed owing to complex negotiations with the freeholder and other leaseholders. There was concern that this delay would become critical in terms of vacating of 20 Park Crescent (and financial consequences) before the end of the year. Every effort was being made to draw negotiations to a conclusion as quickly as possible.

6. Comprehensive Spending Review (CSR)
Dr Ewart presented the work that the Executive team had been doing to plan for the CSR. She presented Council with three scenarios of funding that were in the range of the 25% cut over four years announced in the June budget. For each scenario, Council were informed about the changes to each area of the portfolio that would be required. Dr Ewart confirmed that the Strategic Plan would be the basis for prioritisation, but it was not necessarily the case, certainly in the more drastic scenarios, that equal priority would be given to each of the four themes.

There was discussion about the importance of considering the impact of certain actions on the MRC’s partners, and especially on Higher Education Institutions (HEIs).

Council talked about cutting funds available to Boards. It was envisaged that if no action to reduce demand were taken, success rates could fall to 11-12%; mechanisms to manage this would therefore need to be developed.

Dr Ewart thanked colleagues at Head Office who had contributed to the body of work behind the CSR proposal.

7. Finance report
Mr Minty introduced this item. He confirmed that the MRC’s finances were on course for the first three months of the year. He said that BIS had asked the MRC to make £4m of savings this financial year and that this would be achieved through the pay freeze (£1.6m), with the remainder coming from Head Office and corporate functions (including the recruitment freeze).

Members noted that the Council had been asked to submit plans to cut its administration costs by up to 33% over the period of the CSR. Mr Jeans emphasised that in order to achieve a 33% saving, the MRC would need to change the way that it operated rather attempt to achieve the same with fewer resources, as the latter would not be possible.

Council were informed that at the summer Board rounds, Boards were being asked to hold back awards representing 20% of their budgets until after the MRC had a clearer idea of requirements of the CSR.

8. Corporate Risk Review: Corporate Risk Register
Ms Walker joined the meeting for this item. She informed Council that there were new risks to be added to the version of the Corporate Risk Register presented, which was the position as at 31 March (as had been discussed by the Audit Committee). These were in the papers circulated late.

Ms Walker highlighted other recent changes. Members commented that many of those risks which were red ('Very high' in either likelihood and/or impact) represented threats to core business, though they acknowledged that the risks were being managed well.

Finally members commented on the risk of a new CEO not having been identified in time for the person to take up the appointment on 1 October. It was understood that this post was not frozen, and there was no obvious reason for further delay.

9. **Risk Management Annual Report**

Members noted the report. They commented that the way in which the executive managed risks was continuing to improve; areas where further improvements were possible had been identified.

10. **MRC Technology exploitation report and report on Technology Transfer Fund**

Dr Tapolczay introduced this item and highlighted some key points from the exploitation report for 2009/10.

Dr Tapolczay shared with Council the commercial revenue projection for 2009/10 to 2015/16. The projection showed a steady increase to 2014/15, largely due to some of the key products produced under the Winter 1 patents, including Avastin and Tysabri. In 2015/16 the total revenue was expected to drop by 24% (from the preceding year) due to the expiry (in November 2015 in the US) of the Winter 1 patents. There was some discussion about how MRCT was planning to rebuild the revenue stream after the expiry of this key patent - for example from new products arising from the Centre for Therapeutics Discovery and income generated through deals with companies, including those arising from Development Gap Funding. Dr Tapolczay gave some examples.

There was a request from some Council members for greater oversight of MRCT’s activities. Council was reminded that it had ratified MRCT’s strategy in January 2009. It was noted also that MRCT was a separate organisation with its own governance. The MRC/MRCT relationship was a matter of ongoing discussion with BIS (see 4.1 above). There was a suggestion, for example, that Council members might be able to advise MRCT, but a decision on that would need to be taken in the context of further guidance from BIS.

There was a request from a Council member for a list of acronyms commonly used by MRC to be circulated.

11. **Scientific misconduct**

Mr Smith reminded Council that it receives a report annually about any scientific misconduct cases within the MRC. He informed Council that there had been none reported in 2009/10 and that a review group was working to revise the Good Research Practice guidance document.

12. **Approval of Joint Venture Agreement for UKCMRI**

Ms Elizabeth Jones (Hewitsons) attended for this item.
Sir Leszek introduced this item and reminded Council that the required action was to approve or otherwise the proposed legally-binding agreement.

He noted that the model being employed by UKCMRI was that the four parent organisations were creating a new entity which would be largely autonomous, and the biggest of its kind in Europe. UCL had, as had all partners, committed to funding the development and life cycle costs. The Director of UKCMRI would then select from willing UCL researchers to go into the institute. Those researchers would remain UCL employees. The fact that the Director would select the Centre’s researchers would make it different from a research hotel model.

Council were informed that the institute would generate and manage its own intellectual property although CRT would, at least initially, manage intellectual property related to cancer.

The four partners would all have to agree the JVA, otherwise the project would not go forward; likewise, if sufficient funding from BIS was not forthcoming.

Council approved the agreement.

13. **Any other Business**

None

End of meeting
Summary of Actions

4.6. Heike Weber to issue an invitation to all Council members to observe at the Strategy Board meeting on 12 July

10. Eve Jaques to make a list of common acronyms available to Council members