Minutes of the Council Meeting Held on 03 March 2010

Present:

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

Apologies
None
1. **Announcements**

Sir John informed Council members that Anne Willis had been appointed as the new Director of the MRC Toxicology Unit and would be starting in May 2010. Professor Willis was currently at the University of Nottingham where she was a Professor of Cancer Cell Biology. Members of Council who had been involved in the recruitment process noted that she had demonstrated great enthusiasm and was keen to embrace the new strategy.

Sir John asked Council members to note that the MRC had issued an updated Travel and Expenses policy, which included expenditure limits for accommodation that should be adhered to where possible.

The meeting was Andrew McMichael’s last. The Chairman thanked him, on behalf of Council, for his six years of service on Council and for his valuable and wise input into discussions over this period.

The Chairman informed Council that he had begun a review of the MRC’s governance structures and was keen that members had the opportunity to be involved this process. He had been using the appraisals to seek members’ thoughts on how Council functioned and would set up an ad hoc committee to discuss how to undertake the review.

He reminded members that Council currently had three committees reporting to it: ERPIC, the Audit Committee and the Remuneration Committee. It was his belief that the constitution of the latter did not conform to what would normally be expected and he was intending to change the membership to ensure fully effective functioning. He also suggested that Council should have a Nominations Committee to advise him on recruitment to Council and to senior executive positions. He would contact certain members individually to seek their involvement on the new committees.

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 December 2009**

Changes to sections 8 of the minutes were requested:
- Training funding was corrected to £68m rather than £86m.
- The section underlined below was added to the penultimate sentence of the same paragraph: “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.”

With these changes incorporated, the minutes were approved.

4. **Matters Arising**

4.1 Sir Leszek informed Council that the discussion with BIS over the governance arrangements for MRCT was still ongoing but was making considerable progress. He emphasised the importance of this matter and added that Council would be updated at the next meeting.

4.2 Member’s attention was drawn to the minutes from the recent Strategy Board meetings that were provided. Professor Almond was thanked for his attendance at the last meeting (1 February) and members were encouraged to feed back when they attended future meetings.
4.3 Council Members were directed to paper 4c which contained the STFC’s December announcement about their prioritisation of science programmes. Sir Leszek noted that the implication of the current situation was that there would be effectively no new particle physics or astronomy grants available in the coming year. He informed Members that the MRC was still budgeting to allow for a contribution to STFC to help sustain grants already awarded, but noted that the amount may change downwards depending on fluctuations in the exchange rate. He noted that Professor Michael Sterling (Chair of STFC Council) was chairing a review of STFC with Lord Drayson, and that the Chief Executives of the Research Councils were engaged in this process through the RCUK Executive Group. The outcome of the review would be implemented in April 2011. It was noted that involvement through the RCUK Executive Group should be maintained so that the outcome of the review would not be presented to the Research Councils as a fait accompli.

There was some discussion about how the UK funded access to large facilities. It was agreed that the MRC should support a separate means of funding large facilities, and the importance of access for pilot projects and their ability to generate new ideas was highlighted. It was noted that there should be a balance between ongoing work and pilots; ideally funding should be provided by the researchers, rather than directly by the Research Councils- i.e. pilot projects should not be dependent on getting Research Council funding.

Council was reassured that BIS was looking into hedging arrangements to prevent vulnerability to exchange rate fluctuations in the future.

5. **CEO Report**

Sir Leszek introduced this item and mentioned in particular the following matters:

5.1 **RCUK SSC Implementation Project Update**

Sir Leszek informed Council that the migration of responsibilities for HR, finance and operational procurement services from the MRC’s service centre to SSC Ltd during February 2010 had taken place without any problems. However it was becoming apparent that go-live for the Oracle system, planned for June, may not happen on schedule. It was reliant on the other Research Councils going live on the 1 April which was unlikely. After 19 March it would be clear whether go-live in June or July would be possible for the MRC.

A review of the grants go-live timetable had highlighted a potential delay of two months for the first Research Councils which would have a knock-on effect for the MRC. The decision point for this was at the end of April 2010. Members were informed that a delay would be the safer, default position for the MRC, although there may be some cost implications.

Members were informed that the additional capital, resource and interim management for SSC Ltd had already increased the MRC’s costs by £4.1m by the end of the project. It was noted that the MRC needed to be cautious about the work currently being commissioned to provide functionality to those Councils that had already gone live, as this would reduce- or eliminate- funds available to develop functionality specific to the MRC.

The Chair of the audit committee noted that the MRC was monitoring associated risks carefully and was protecting itself relatively well. Members were reminded that the MRC would not allow the transfer to SSC Ltd to affect grant applications or provision of funds.

5.2 **LMB building**
Sir Leszek informed members that this project had suffered some delays due to the bad weather in January but that this risk lay with the contractor and there were plans in place to make up the lost time.

5.3 UKCMRI
Sir Leszek updated the Council on this project. He noted that the UKCMRI Communications group had held several meetings with Camden Council and other stakeholders to discuss opportunities to achieve value for money, and to provide reassurance that the development could be achieved without having a detrimental effect on science in other areas of the UK.

Members queried the likelihood of Government signing off on the investment given that public funds would become more restricted in the coming year. Mr Neilson reminded Council that Government had been very supportive of the project to date. The first business case was due for approval in September 2010 and the remainder at the end of 2011. A funding profile had been produced and shared with the MRC and it was seen as feasible. He noted that Government had been talking to other partners to build confidence.

He also informed members that allocation of staff numbers between partners had been discussed but there were not yet any provisional figures.

5.4 Head Office relocation
Mr Bulger presented some slides of the new London Head Office accommodation, for which Heads of Terms had been signed. He informed Council that solicitors were working on the lease and that work on IT connections had been requested from BT.

He presented comparable costs between the Park Crescent office, Welbeck Street and Kemble Street, demonstrating that Kemble Street presented significant value for money as well as meeting the MRC’s needs. The lease at Kemble Street would be for nine years. This was longer than that available at Welbeck Street (and possibly at Park Crescent though there had been no formal discussions). Members were informed that the total budget for the Head Office move, including refurbishment, was £11.5m.

5.5 Post-election MP engagement
Dr Peatfield informed Council that the office had been working on plans to run or contribute to a series of events to engage MPs post-election. He noted that Council members would be invited to get involved nearer the time.

5.6 Science and Technology Select Committee evidence session
Dr Peatfield informed Council that he had given oral evidence on 3 February, on Sir Leszek’s behalf, to the S&T Select Committee as part of its inquiry into the impact of spending cuts on science and scientific research. He gave a brief overview of the discussion. Professor Arthur reported that he also gave evidence to the Select Committee, and pointed out that because of FEC cuts to the Research Councils’ budgets would also affect the sustainability of infrastructure at universities.

5.7 Director of the Virology Unit
Sir Leszek informed Council that the lead candidate for this post had, after six months of negotiation, pulled out and that there was currently no preferred reserve candidate. There was currently an effort to encourage interest from others. It was noted that interim management arrangements would need to be extended.

Sir Leszek informed Members that approximately 70 people had been approached initially and only 5 or 6 had expressed an interest.

5.8 Uganda Unit update
Members were informed that interviews for the Directorship had been completed that morning, and that there was a strong candidate to whom an offer would be made.
5.9 NAO trauma care report

Sir Leszek informed Council that over the past year the MRC had considered this area in some detail and had engaged with several UK partners in the process. He added that he and Dr Catherine Elliot had recently been to the US to explore potential links further. They had visited the NIH and had identified areas where, despite the large budget in the US, the UK was well placed to make a distinctive contribution.

A working group had been set up to establish the most appropriate approach to addressing this area.

6. Finance report

Mr Watts presented this paper. He informed Council that the MRC was on course for a balanced budget by the end of the financial year, and that the commercial fund cap had been confirmed with the Treasury, although there were some outstanding issues. He presented slides to demonstrate the effect of this ruling for the subsequent years. The cap would be set at £15million gross for 2009/10 and £15m net for 2010/11. After 2010/11, the cap would be removed. The 2009/10 and 2010/11 level was significantly lower than the £30m level that the MRC had proposed and had been working with for financial forecasting.

There was discussion about how the commercial fund cap would disincentivise MRCT. Council was reminded that the cap would be removed after 2010/11. They were informed that a company had been employed to map the MRC’s revenue projection, which it was believed would peak at 2014. Council would be informed at the July meeting of the outcome of the revenue review and the implications and risks for the MRC.

Mr Watts informed the Council that there would be a larger than expected capital underspend and that this was largely due to the NAO’s amendments of rules which meant that, for the SSC spend, the balance between revenue and capital would change. However the MRC had been able to carry an additional £6m of unspent capital forward to the next financial year.

7. Markready Ltd- Proposal to wind up the company

Dr Peatfield presented this paper and provided some background, including the reasons for setting up the company in the first place; these no longer applied and the company now resulted in an unnecessary level of bureaucracy. Council endorsed the proposal to dissolve the company.

There was discussion about the future of research using macaques in the UK given the relative expense compared to the US and elsewhere in Europe.

8. Risk Review- HR

Mr Smith presented this paper, summarising the processes in place to record and monitor risks in the HR area. He commented on the three highest risks outlined in the paper:

1. He noted that compulsory redundancies were relatively rare in the civil service but were much more common in the MRC due to regular Unit reviews. MRC’s current generous redundancy arrangements were at odds with government best practice. An audit of severance procedures has begun and the TUS were involved in this process.

One member highlighted that the mrc redundancy scheme, which provides 2 months severance pay per year of service, was more generous than other schemes, and could
encourage the use of 11 month contracts, which were not optimal for employee or employer. The scheme also imposed additional costs in relation to grant funded posts.

2. Mr Smith commented that the MRC was making good progress with establishing the PDR process and increasing the completeness and punctuality of returns.

3. There was discussion about the difficulty in offering meaningful rewards for performance with the funds available. In 2009/10 and 2010/11 only 2% had been available to offer increases for cost of living and reward for performance. It was noted that MRC salaries were around 20% lower than the Wellcome Trust’s and about 40% lower than equivalent positions in industry.

There was some discussion about how the grading system, particularly for scientific roles and around the middle bands, needed to be improved by increasing the number of grades to offer more incremental promotions. It was also agreed that reducing the number of scales, which could be seen as silos, would make sideways moves easier.

There was some frustration that staff often did not take the full picture into account. Whilst MRC salaries were relatively low, the overall compensation package including the pension scheme and redundancy provision was generous. Members were informed that the trade union side had not been in favour of any form of performance-related pay.

Council Members were informed that of the MRC’s 3500 staff, around 20-25% were members of one of the five active trade union organisations. These organisations had an elected chair to represent their views, and it was noted that this improved liaison between management and unions significantly.

It was noted that loss of employee records needed to be moved to a higher risk status in view of the transfer to the new system, as this had been a problem in the transfer to the MRC SSC. Members also noted the risks associated with loss of expert staff not willing to move to Swindon, and were particularly concerned that Swindon was seen as an unattractive location by ethnic minority staff.

The Chair summarised by noting that the Council were very pleased that these issues were being addressed.

9. Update to the Code of Practice for Council Members

Sir John noted that the updated code would probably be an interim version pending the outcome of the review of governance. Council approved the version presented.

10. Report on Council Audit Committee

Council’s attention was drawn to this paper, which summarised the minutes from recent Council Audit Committee meetings. Sir Leszek said that he was adamant that the recent amendments to the International Financial Reporting Standards should not delay the submission of the annual accounts.

11. Proposed Programme for May Council meeting

The proposed programme was introduced to Council. It was agreed that it would be an opportunity for NIMR staff to ask about UKCMRI, and for the MRC to provide reassurance about continuity through to hand-over period to the new Chief Executive.

Sir Leszek noted that this discussion session on the 6 May would be split into two topics: intramural research and strategies for the next CSR. Council agreed that a paper providing background on intramural research would be helpful as preparation.
12. **Any other business**

**OLS update**
Sir Leszek noted that an agenda for OSCHR had been agreed between the MRC, industry and NIHR but that it was unclear whether funding would be available post election.

End of meeting
Summary of Actions

General Authors of papers to use main paper to summarise key points and annexes for detail.