





# Medical Research Council

## Annual Report and Accounts 2012/2013

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# Foreword

MRC 100

100 years of life-changing discoveries

# Foreword

## from the Chairman



*Donald Brydon, Chairman*

It was with great honour and some trepidation that I took over the helm of the MRC from Sir John Chisholm in October 2012. The work of the MRC is of the highest importance to the health and wellbeing of society in the UK and around the world. I was fortunate to become chairman at a time of progression and innovation, in spite of the effects of economic austerity, and I hope to build upon the foundation of success laid by my predecessor in the likely challenges ahead. I thank Sir John for all of his support and wish him the best for the future. I am delighted that Sir John Savill has agreed to an extension of his contract as Chief Executive and I would like to record my appreciation for all the work of Sir John and his excellent team in the past year.

Joining the MRC at the time of its Centenary has also been a stimulating and inspiring experience. 2013 marks 100 years since the Medical Research Committee and Advisory Council was established in June 1913, initially to conduct research into tuberculosis and other prevalent diseases of the time. The MRC has come a long way and achieved much in the subsequent years, from discovering the structure of DNA and developing vaccines and antibiotics to identifying the causes of many diseases, such as the link between smoking and cancer. Developments in medical research have meant that our priorities have inevitably altered in the last 100 years; however, our overriding aim has remained the same — to improve the health of people in the UK and across the world.

To help mark the Centenary, the MRC granted £12m in **MRC Centenary Awards** (see page 36) to some of our early-career researchers, affording them the opportunity to accelerate their research and careers in pioneering ways. These awards were funded by some of the intellectual property income generated by our therapeutic antibody technology.

In 2012/13 the maintenance in real terms of the MRC's resource budget has meant that we have continued to build on, and develop, creative means of funding science. The MRC is delivering on commitments made in the Government's 2011 Life Sciences Strategy. We have now awarded funding to 15 landmark collaborative projects which will use de-prioritised AstraZeneca compounds to explore a range of disease mechanisms as part of the **MRC/AstraZeneca Mechanisms of Disease Initiative** (see page 32). The first two rounds of substantial awards under the £180m Technology Strategy Board (TSB)/MRC **Biomedical Catalyst**, another strand of the Life Sciences Strategy, have also been made. The MRC and TSB have awarded a joint total of almost £100m, leveraging £60m of private investment (see page 32). We are also progressing with our **Stratified Medicine Initiative**, also announced as part of the Life Sciences Strategy, whereby multidisciplinary consortia, involving industry partners, the NHS and academic groups, are funded to undertake research focusing on diseases where taking a disease-specific approach is expected to deliver benefits to patients in the short term (see page 32).

These innovative partnerships have perhaps epitomised the MRC's changing ecosystem over the last year and emphasised the importance of working closely with other organisations to ensure that research efforts are complementary and that national capability is established in vital areas. To achieve this objective, the MRC routinely works with the National Institute of Health Research (NIHR), and in August 2012, the Prime Minister announced the **MRC-NIHR Phenome Centre**, a national facility

established to conduct large scale analyses of metabolic profiles from major collections of study samples, which will help in the study of how the external environment impacts with genetic susceptibility to cause disease (see page 30).

In a similar vein, the MRC has also benefited from enhanced resource-sharing with the NHS. The NHS has an unequalled wealth of cradle-to-grave health data on the UK's population. To ensure that the UK capitalises on this resource, and to maximise the potential of collaborative funding, the MRC has brought together a consortium of ten research funders to commit £19m to four **E-Health Informatics Research Centres of Excellence** across the UK (see page 35).

The **Experimental Medicine Challenge Grants** initiative supports ambitious, challenge-led programmes of research into disease mechanisms in humans. These studies will produce major new mechanistic insights into human disease, with potential application to new therapeutic approaches and opportunities for “reverse translation” to more basic research. Six awards were supported in 2012/13 at a total value of £16m, covering infectious disease, immunity, mental health, cardiovascular disease, pregnancy and obesity.

The MRC has continued to prioritise the funding of research into *Resilience, repair and replacement*, and *Living a long and healthy life*, the two research themes set out in *Research Changes Lives*, MRC's strategic plan. Regenerative medicine is an emerging multidisciplinary field of research in this area that holds promise for treating a range of conditions by repairing, replacing or regenerating cells. Drawing on the strengths of cross-Council partnerships, the MRC, Biotechnology and Biological Sciences Research Council (BBSRC) and the Engineering and Physical Sciences Research Council (EPSRC) announced the £25m **UK Regenerative Medicine Platform** (UKRMP) in March 2012. This is a collaboration designed to bring together a critical mass of researchers from different disciplines to overcome the barriers to traditional translation (see page 29). In response to the **Prime Minister's Challenge on Dementia**, at the time of its launch in March 2012, the MRC committed to doubling spend on dementia research from £16.6m in 2010/11 to £33.2m by 2015/16. In 2012/13, the MRC has continued to implement activities in four main areas to achieve this aim (See page 30). One of these areas is a £9.6m imaging project on a subset of the UK Biobank participants (see page 34).

The MRC's Strategic Plan for 2009-2014, *Research Changes Lives*, published in June 2009, is a working five-year plan that guides our funding decisions. In 2012, we published a mid-term update on progress against the objectives outlined in the plan. The report is available from the MRC website at [www.rcfprogress.mrc.ac.uk](http://www.rcfprogress.mrc.ac.uk). 2012 saw 97 per cent of MRC researchers completing **Researchfish** (formerly e-Val), the online data-collection system used to not only monitor progress against the strategic plan, but to better understand how MRC research leads to economic, academic and social impact. A federated Researchfish, now used by twenty other funders, was launched in 2012/13 (see page 35).

On a business-as-usual basis, excellent progress has been made with major project developments. Staff moved into the **Laboratory of Molecular Biology's** new building and facilities in February 2013; also the **Francis Crick Institute** reached a significant milestone in the award of the main contract for the construction of the new building, and achieved a very good report when reviewed by the Major Projects Authority in May 2012.

**Donald Brydon CBE**



# The MRC in 2012/13

# MRC 100

100 years of life-changing discoveries

# The MRC in 2012/13

The MRC is a publicly funded organisation dedicated to improving human health. We support research across the entire spectrum of medical sciences, in universities and hospitals, in our research units and institutes across the UK and in Africa.

At the heart of our mission is to improve human health through world-class medical research. To achieve this, we support research across the biomedical spectrum, from fundamental laboratory-based science to clinical trials, in all major disease areas. We work closely with key stakeholders and other research funders in the UK and internationally to deliver our mission, prioritising research that is likely to make a real difference to clinical practice and the health of the population.

Our stakeholders include the UK's health departments and other government departments and agencies; the six other research councils; the Technology Strategy Board; industry sectors such as pharmaceutical, biotechnology, nutrition, medical technology and informatics; the academic and charity sectors; and of course the public.

Established in 1913 and incorporated by Royal Charter in 1920, the MRC's mission is to:

- Encourage and support research to improve human health.
- Produce skilled researchers.
- Advance and disseminate knowledge and technology to improve the quality of life and economic competitiveness of the UK.
- Promote dialogue with the public about medical research.

This annual report to Parliament describes our progress in meeting our aims and objectives between 1 April 2012 and 31 March 2013. It highlights key initiatives and partnerships and outlines some of our plans for the future. Each year's scientific achievements are highlighted in our online annual review and other publications available from the MRC website at [www.mrc.ac.uk](http://www.mrc.ac.uk)

The MRC receives its core funding allocation from the Department for Business, Innovation and Skills (BIS), in line with the Government's spending review cycle. We receive additional funding from other partners to take forward collaborative projects and joint initiatives which increase the impact of our work and the public funding we receive.

Our allocation for 2012/13 was agreed under the 2010 Spending Review. The *MRC Delivery Plan 2011/12 – 2014/15* details the MRC's spending priorities and intended activities for the spending review period. It describes how the MRC will use its resources to achieve its mission and contribute toward the Government's objectives for the science budget. Progress in implementing the delivery plan and achievements against the milestones are monitored routinely by the MRC's Management Board. Progress is reported to Council and, via biannual meetings, to BIS. A summary of this progress is included in the subsequent annual delivery plan reporting framework document, which also sets out which areas of the MRC's activity will be reported on in detail over the next year. The delivery plan reporting framework for 2012/13 is available on the MRC website at [www.mrc.ac.uk/Newspublications/Publications/DeliveryPlan/index.htm](http://www.mrc.ac.uk/Newspublications/Publications/DeliveryPlan/index.htm)

The MRC also reports annually on the outputs, outcomes and impact of MRC research. Further information on these reports is available at [www.mrc.ac.uk/Achievementsimpact/Outputsoutcomes/index.htm](http://www.mrc.ac.uk/Achievementsimpact/Outputsoutcomes/index.htm)

In 2009, we published our five-year strategic plan, *Research Changes Lives*, which defines our role in contributing to faster and more effective ways for medical research to flourish at all stages: from working to understand the fundamental science of how our bodies work to tackling some of the most pressing health issues facing society. We identified four strategic aims (see box below).

### MRC strategic aims 2009-2014

- Picking research that delivers: setting research priorities which are most likely to deliver improved health outcomes (see page 29).
- Research to people: bringing the benefits of excellent research to all sections of society (see page 32).
- Going global: accelerating progress in international health research (see page 33).
- Supporting scientists: sustaining a robust and flourishing environment for world-class medical research (see page 34).

A mid-term update on progress against the objectives in the strategic plan was published in 2012. The report evaluates progress against the commitments made to deliver the 16 objectives in *Research Changes Lives* and gives an overview of the MRC's activities and outcomes of MRC-funded research addressing these objectives. It will serve as a reference point for strategic discussions to inform future research priorities for the next spending review period and the refreshed Strategic Plan, 'Research Changes Lives 2 (2015-2019)'. The report is available from the MRC website at [www.rciprogress.mrc.ac.uk](http://www.rciprogress.mrc.ac.uk)

### The MRC's Council

The MRC's Council directs and oversees corporate policy and scientific strategy, ensures the organisation is managed effectively and makes major policy and spending decisions. Council members share collective responsibility for its actions and performance. Responsibility for implementing the Council's strategy and decisions is delegated to the Chief Executive. The Governance Statement in the Accounts (page 69) provides information about Council's membership, performance and attendance. Information about the Council's subcommittees is also contained within the Governance Statement.

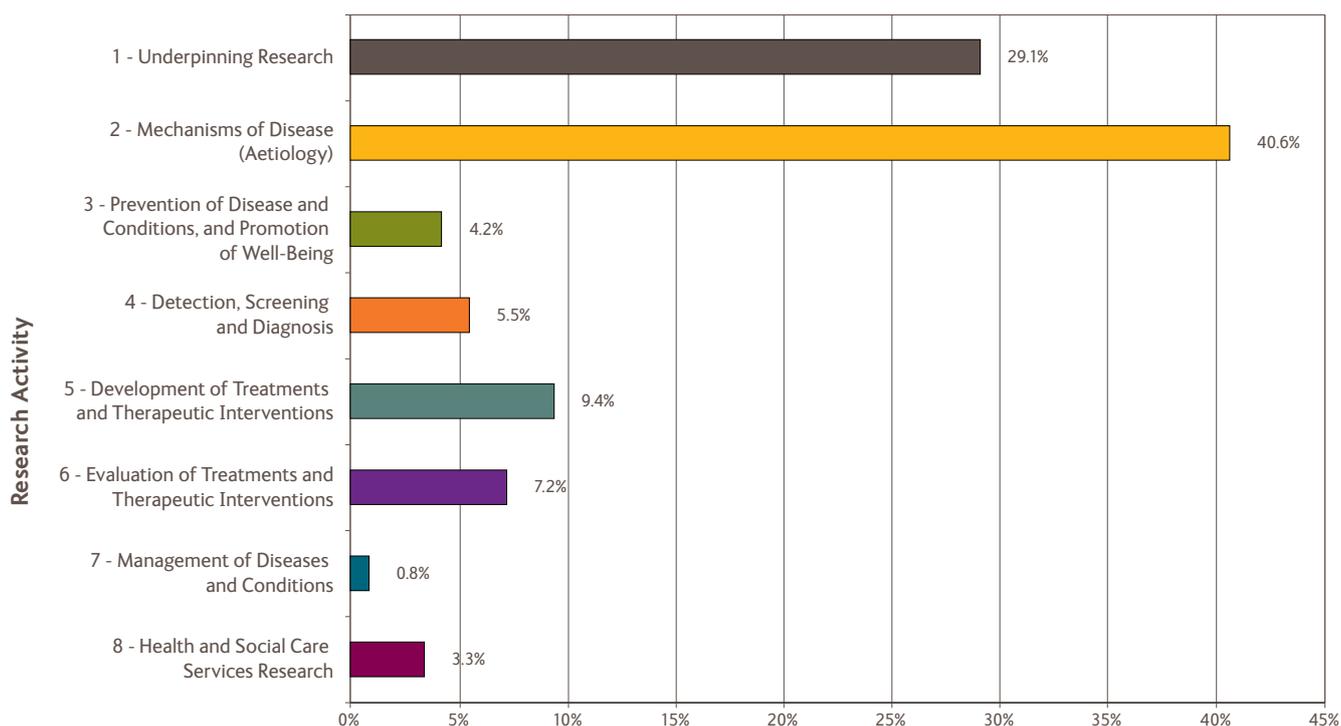
## Facts and figures

In 2012/13 the MRC's gross research expenditure was £766.9m compared to £759.4m in 2011/12. The support for world-class medical research to improve human health and enhance the economic competitiveness of the UK included <sup>1</sup>:

- £334.6m on around 1400 grants to researchers in universities, medical schools and research institutes
- £343.1m on around 400 programmes within the MRC's own units and institutes including £8.2m on studentships
- £71.3m on studentships and fellowships in universities, medical schools and research institutes, there were approximately 1,800 postgraduate students and 404 fellows in March 2013
- £17.8m for international subscriptions

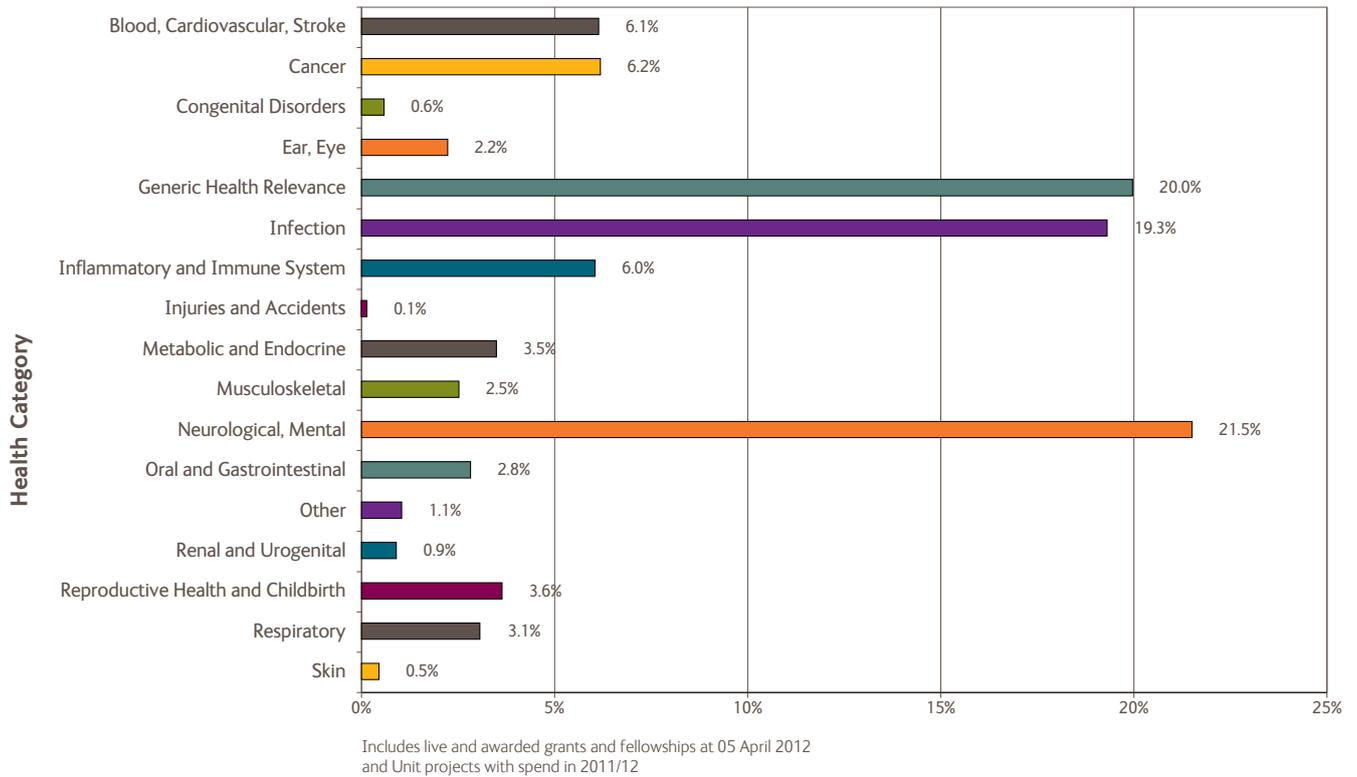
Figure 1 shows a breakdown of MRC research spending in 2012/13 by activity and Figure 2 breaks down MRC research spending in 2012/13 by health category. Figure 3 shows commitment to new grants each year since 2004/05.

Figure 1: Estimated research programme expenditure by activity



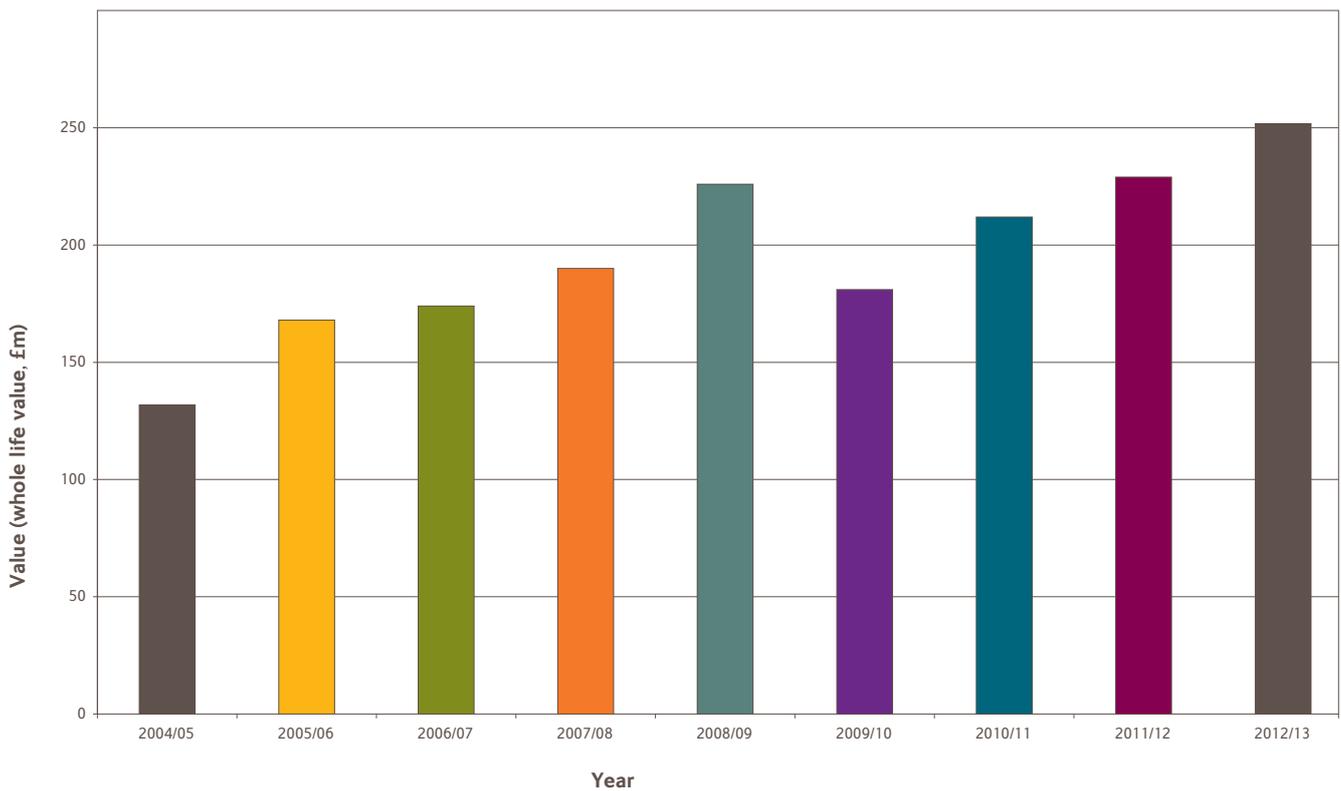
1. The data in this section was extracted to represent the situation for grants and fellowships administration and profiles as at 31/03/13.

Figure 2: Estimated research programme expenditure by health category



\*Generic health relevance - this covers research, often looking at the control and dysfunction of fundamental cellular and physiological processes, which contributes to research in multiple disease areas. In particular, this domain provides a significant underpinning for more focused cancer research.

Figure 3: New grant commitment by financial year



## Grant funding

The MRC has a strong and continuing commitment to both basic and translational research. Decisions were made on over 1270 grant applications during 2012/13; over 300 awards were made, committing £303m.

The following funding decisions were made in 2012/13:

- 200 research grants (£165m) were funded through our four research boards
- 103 awards were made through the calls in the table below (£138m)
- Call and panel activity is also recorded where the overall funding decision is > £1m<sup>2</sup>

Table 1: Grant application and success rate by number 2012/13

Grants Application Type	Number of Applications	Awarded	Success rate (%)	Total amount awarded (rounded whole life values) £m
<b>Calls and Panels</b>				
African Research Leadership Panel	3	2	67	1.0
Regenerative Medicine Research Committee	9	6	67	3.9
Developmental Pathway Funding Scheme	64	26	41	27.7
E-Health	7	4	57	17.6
Hypertension Panel	5	2	40	1.6
Joint Global Health Trials	25	11	44	19.6
Lifelong Health and Wellbeing	36	5	14	3.8
Methodology Research Panel	42	10	24	3.3
MRC Astra Zeneca	22	14	64	6.0
Optical Microscopy Initiative	30	15	50	22.2
UK Regenerative Medicine Platform Review Panel	10	3	30	13.1
Stratified Medicine Expert Panel	8	5	63	18.3
<b>Board</b>				
Infections and Immunity Board	238	42	18	42.1
Molecular and Cellular Medicine Board	249	52	21	37.3
Neurosciences and Mental Health Board	290	51	18	49.0
Population and Systems Medicine	239	55	23	36.6
<b>Grand Total</b>	<b>1277</b>	<b>303</b>	<b>24</b>	<b>303</b>

2. All of the calls and panels reflect a managed application process, whereby the schemes either operate a two-stage review process involving an outline stage, or proactive engagement with applicants to ensure good fit to the call criteria. Accordingly, the success rate figures relate solely to invited full applications.

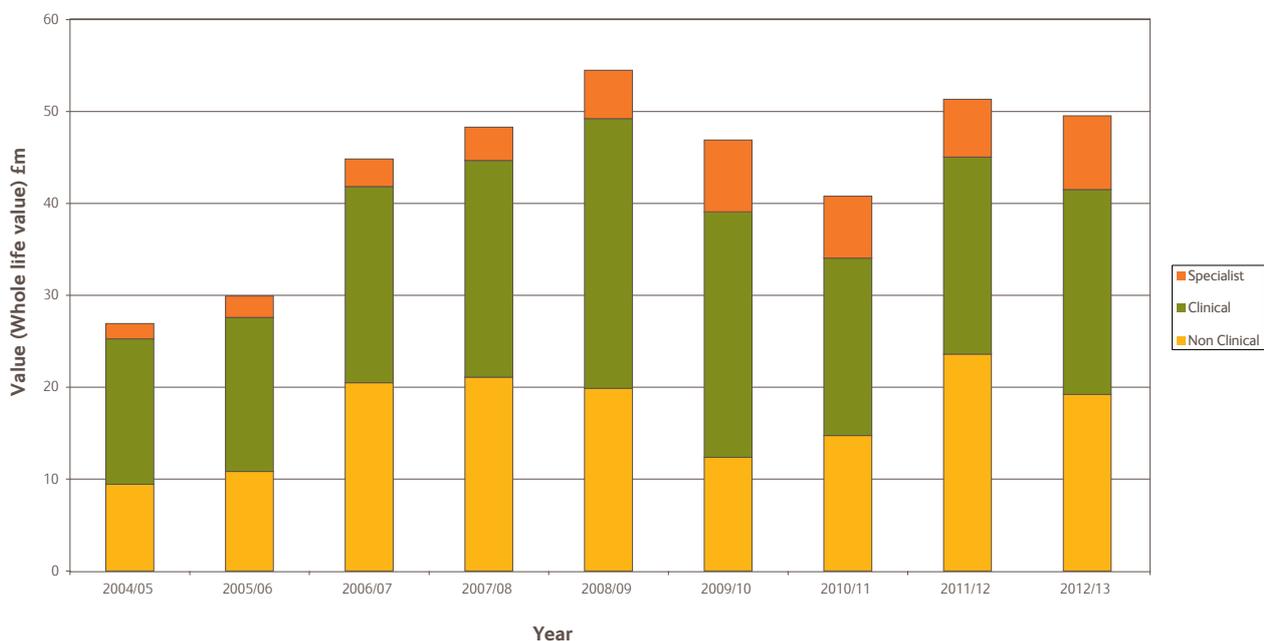
## Fellowship funding

Table 2 shows MRC fellowships awarded in 2012/13. Around 430 fellowship applications had a final decision made during 2012/13 and 99 awards were made, committing just under £50m. Figure 4 shows fellowship commitment by financial year since 2004/05.

Table 2: Fellowship application and success rate by number 2012/13

Fellowship Type	Number of Applications	Awarded	Success rate (%)	Total amount awarded (rounded whole life values) £m
<b>Clinical</b>				
Clinical Research Training Fellowship	193	46	24	9.7
Clinician Science Fellowship	42	8	19	8.4
Senior Clinical Fellowship	10	3	30	4.4
<b>Non-Clinical</b>				
Career Development Award	82	13	16	11.9
Senior Non-Clinical Fellowship	29	3	10	7.0
<b>Specialist Scheme</b>				
Bioinformatics Fellowship	19	5	26	1.5
Career Development Award in Biostatistics	10	5	50	1.7
Early Career Fellowship in Economics of Health	7	3	43	0.8
Methodology Research Fellowship	8	2	25	0.7
Population Health Scientist	30	11	37	3.3
<b>Grand Total</b>	<b>430</b>	<b>99</b>	<b>23</b>	<b>49.4</b>

Figure 4: New fellowship commitment by financial year



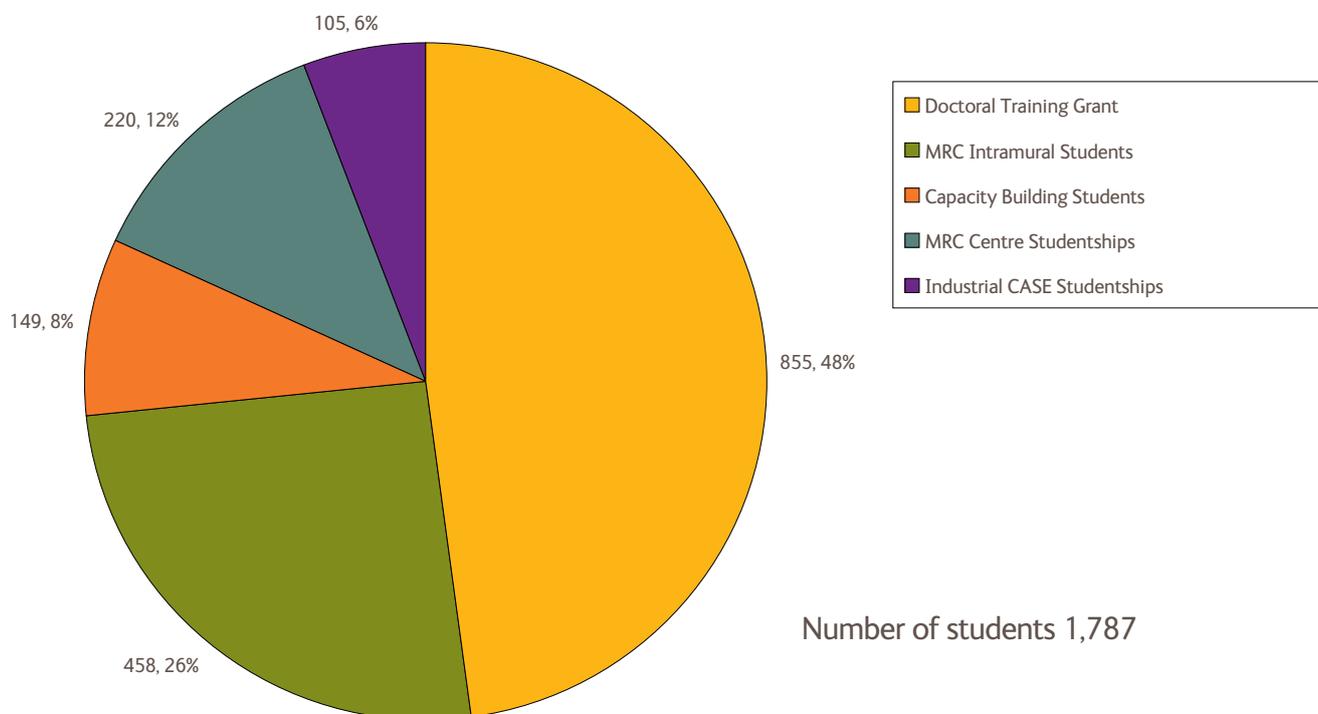
## Studentship portfolio

The largest proportion of MRC studentship funding is provided through Doctoral Training Partnerships with universities. Sixteen universities in the UK receive a grant for PhD studentships based on their success at gaining grant income from the MRC; the more grant income, the more PhD students the university receives funding for. A further eight universities successfully competed for a studentship allocation in 2011 for the 2012, 2013 and 2014 intake of students. Doctoral Training Partnerships are underpinned by an agreement to ensure that PhD students receive the highest quality provision, that studentships fulfil both the university's and the MRC's priorities, and that we can monitor the outcomes of MRC investment, all the while maintaining flexibility for the universities in how they deploy the PhD students.

The Partnerships now incorporate capacity building in areas of scarce strategic skills, and students in capacity building areas will no longer be funded separately. Partnerships are complemented by Industrial CASE studentships, with 35 individual awards made in 2012/13 for students to be trained in mutually beneficial collaborations between academic and non-academic partner organisations.

We also align studentship training to our strategic investments, with 21 intramural MRC units and institutes and 27 MRC centres currently receiving a studentship grant. The pie chart below shows the breakdown of the MRC studentship population in March 2013.

Figure 5: Approximate number of MRC students March 2013



## Institutes, units and centres

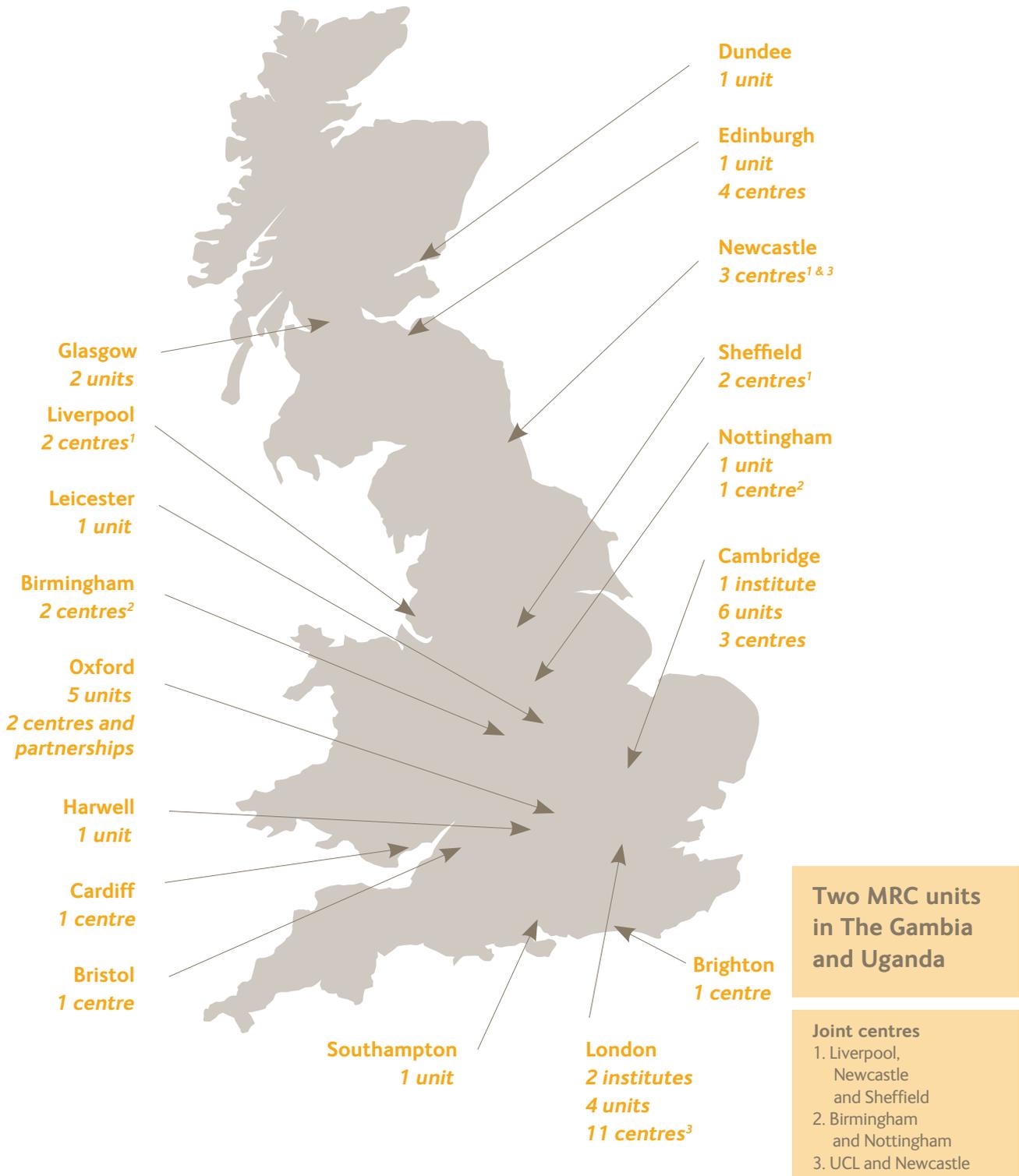
The MRC's large-scale investments include three institutes, 25 units (including three university units and two research units in Africa) and 29 centres and related charity partnerships. All institutes, units and centres are reviewed every five years.

In addition, the MRC supports a range of partnership centres and research facilities in public health, informatics, methodology, e-health, genomics, imaging, and phenome analysis.

During 2012/13 the main reviews and areas of development included:

- Working with seven universities on transferring units to become university units (UUs) and/or *de novo* UUs
- Developing the centre portfolio with universities including renewing, opening and closing centres
- Developing the partnerships and hubs portfolio including awarding four e-Health Centres.

Figure 6: The MRC's large-scale research investment as at 31 March 2013



A significant amount of change was initiated during 2012/13 including:

- Developing and strengthening partnerships, for example:
  - Working with six universities (Cambridge, Dundee, Glasgow, Oxford, Southampton and UCL) towards the transfer of 10 MRC units to university units (where the staff become university employees) during 2013/14.
  - Developing two *de novo* university units with Cambridge and Bristol Universities which will open in 2013/14.
  - Reviewing five UK Clinical Research Collaboration (UKCRC) Public Health Centres of Excellence on behalf of multiple funders<sup>3</sup>. The MRC will take on the management of these centres during 2014/15.
  - Reviewing and funding for another five years the Scottish Collaboration for Public Health Research and Policy — a partnership between the MRC and the Chief Scientist Office and based at Edinburgh University.
  - Working with 19 universities to award four e-Health Centres.
- New five-year programmes approved for two units [MRC Unit for Lifelong Health and Ageing at UCL and the MRC Protein Phosphorylation and Ubiquitylation Unit in Dundee (under a new director)] and a mid-term review conducted for one unit (MRC Institute of Hearing Research, Nottingham).
- New five-year funding approved for three centres (the MRC Centre for Neuromuscular Diseases in Children and Adults, UCL and University of Newcastle; the MRC Centre for Outbreak Analysis and Modelling, Imperial College London; and the MRC Centre for Regenerative Medicine, University of Edinburgh).
- Opened four centres (the Wellcome Trust-MRC Stem Cell Institute, Cambridge; the MRC Centre for Molecular Bacteriology and Infection, Imperial College London; two Arthritis Research UK and MRC Centres in Musculoskeletal Ageing [Liverpool, Newcastle and Sheffield; and Birmingham and Nottingham]).
- Closed three centres (MRC Centre for Stem Cell Biology and Regenerative Medicine, Cambridge; MRC/University of Bristol Centre for Synaptic Plasticity; MRC Centre of Epidemiology for Child Health at ICH/UCL).

Table 3: Reviews of large-scale investments 2012/13

	Total at 31 March 2012	Total at 31 March 2013	Reviewed	Closed
MRC institutes	3	3	0	0
MRC research units* and joint units**	25	25	5	0
MRC university centres and related charity partnerships***	27	29	13	3
<b>Total</b>	<b>55</b>	<b>57</b>	<b>18</b>	<b>3</b>

\*Includes three university units

\*\*Includes two units with programmes funded by the Chief Scientist Office of the Scottish Government Health Directorates

\*\*\*Charity partnerships include Arthritis Research UK, Asthma Research UK, Cancer Research UK and the Wellcome Trust

3. The British Heart Foundation, Cancer Research UK, Health and Social Care Research & Development Division (HSC R&D Division) Public Health Agency NI, the Medical Research Council, the National Institute for Health Research, the National Institute for Social Care and Health Research Welsh Government and the Wellcome Trust.

### The Medical Research Foundation

In 2012/13, the MRC continued to work in partnership with the trustees of its independently managed charity, the Medical Research Foundation (MRF). The public make bequests and donations to the MRF to support MRC research. During the year the MRC provided the trustees with advice on scientific strategy and research opportunities, and peer review support. The MRF made 49 new awards amounting to over £2.6m for research within the MRC's remit.

## Measuring impact

To monitor progress against the MRC Strategic Plan and to better understand how MRC research leads to economic, academic and social impact, all MRC-funded researchers provide feedback on the impact of their work through an online system called Researchfish (formerly MRC e-Val, see page 35).

2012 was the fifth year that researchers used the system, and 97 per cent of MRC scientists who had held any funding from the organisation since 2006 submitted information — more than 3,500 researchers. Analysis of the Researchfish dataset is yielding a detailed picture of the progress, productivity and quality of the science we support. In particular, it is highlighting how MRC research contributes to the development of new medicines and technologies, improvements to clinical policies and practices, and how MRC research encourages inward investment to the UK.

MRC-funded research carried out between 2006 and 2012 has contributed to:

- More than 100 new products and interventions launched onto the market, including monoclonal antibody therapies for nine separate diseases.
- Significant influence on more than 300 international clinical guideline documents, including 50 UK NICE guidelines.
- Creation or growth of 99 companies, with 55 formed since 2006.
- 570 patents, with discoveries from 170 (30 per cent) of these patents already licensed worldwide.
- More than £300m further funding for MRC groups from private sector and international funders (2006/07-2009/10).

Using information about further funding, collaboration and co-authorship, we estimate that:

- One in three MRC principal investigators has had productive interactions with colleagues in the private sector between 2006 and 2012.

## Research publications

Publications are the key primary output from research, they record new findings, describe methodology and/or discuss new insights from existing work, and are an important way of sharing knowledge.

The citation of papers in research publications is comprehensively tracked and is often used as a way to compare research productivity and quality. By normalising for scientific field and year of publication, measures of citation 'impact' can indicate the extent to which research has been used by others.

The Department for Business, Innovation and Skills commissions a biennial analysis of UK research based on citations and other bibliometric data. The most recent of these studies was published by Elsevier in 2011 and called the *International Comparative Performance of the UK Research Base – 2011*<sup>4</sup>. The report outlined that the UK hosted 4 per cent of the world's researchers, produced 11 per cent of the world's citations, and was responsible for 14 per cent of the world's most highly cited research papers. The citation impact of UK research is second only to the United States.

The UK was shown to have a well-rounded research portfolio covering all disciplines, but with a strong and increasing emphasis on clinical sciences, health and medical sciences, social sciences, business and humanities. The UK's field-weighted citation impact shows the UK to perform better than the world average in all subject fields, and the citation performance relative to the world average grew in all disciplines over the period 2000 to 2010.

Researchfish collects information about publications that have arisen from MRC-funded research. The last data collection exercise was at the end of 2012.

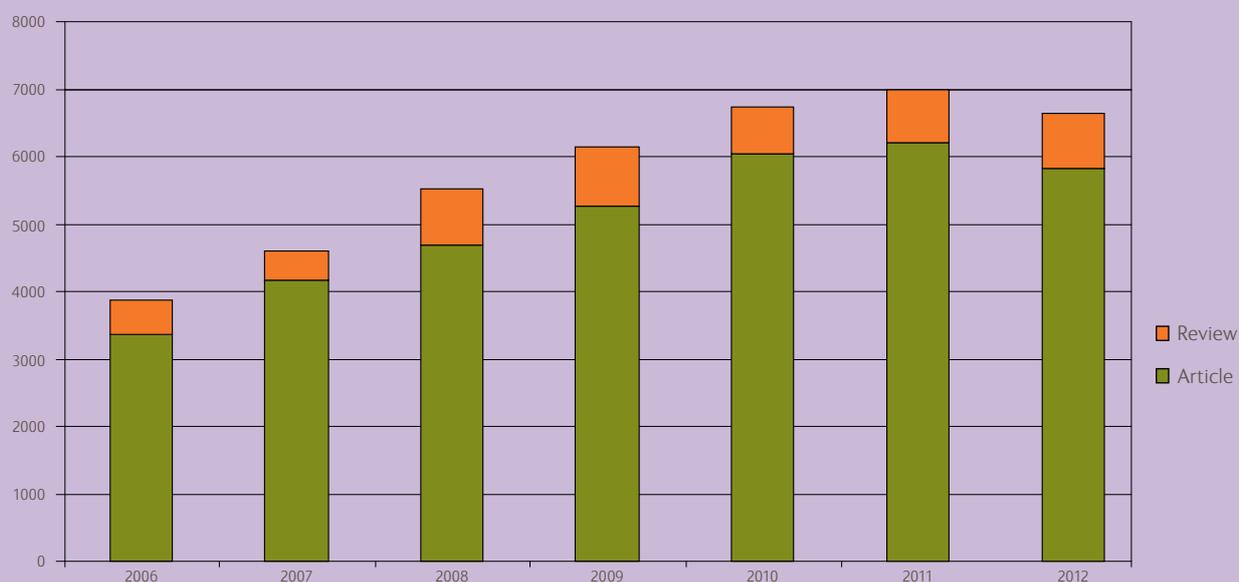
Table 4: Numbers of MRC research publications reported via MRC Researchfish, calendar years 2006-2012<sup>5</sup>

Year	2006	2007	2008	2009	2010	2011	2012	Total
Review	395	493	647	797	680	744	725	4481
Article	3,298	4,157	4,789	5,440	6,125	6,242	5,873	35,924
<b>Total</b>	<b>3,693</b>	<b>4,650</b>	<b>5,436</b>	<b>6,237</b>	<b>6,805</b>	<b>6,986</b>	<b>6,598</b>	<b>40,405</b>

<sup>4</sup> International Comparative Performance of the UK Research Base – 2011, report prepared by Elsevier for BIS, can be found at [www.bis.gov.uk/assets/biscore/science/docs/i/11-p123-international-comparative-performance-uk-research-base-2011](http://www.bis.gov.uk/assets/biscore/science/docs/i/11-p123-international-comparative-performance-uk-research-base-2011)

<sup>5</sup> It should be noted that owing to the timing of data collection in Researchfish, the figures for 2012 do not represent the full year and will increase. The data include 'Epubs ahead of print': i.e. publications that are published electronically prior to being 'fully' published in print format.

Figure 7: Numbers of MRC research publications, calendar years 2006-2012

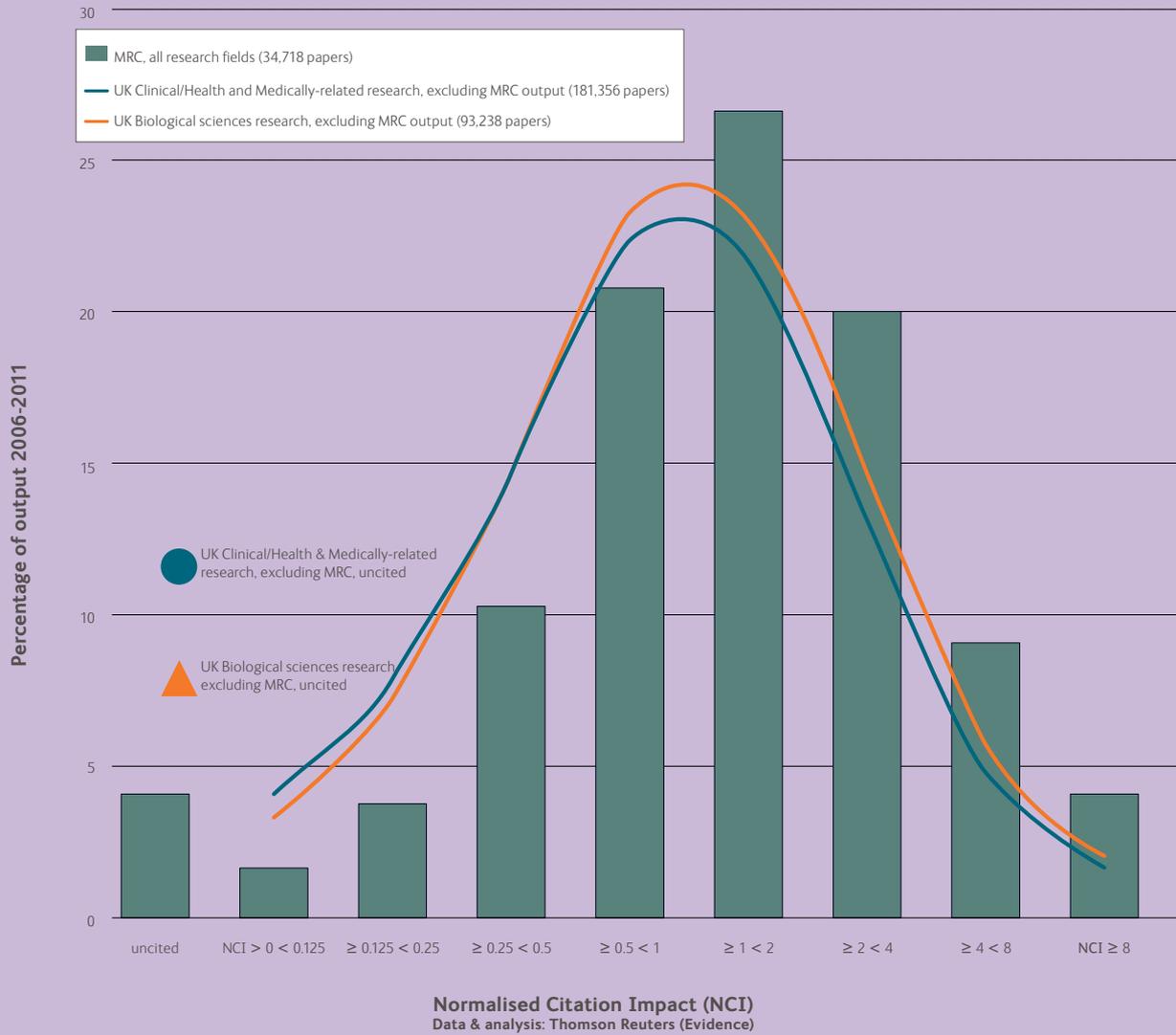


The MRC sources bibliometric data on each of the publications reported via Researchfish to enable analysis of those that have resulted from MRC funding. Using the publications reported in Researchfish for 2006-2011 and normalised citations taken at the end of 2012, MRC-attributed publications has an average normalised citation impact of 2.12, which is more than twice the world average. Analysis of these MRC-attributed papers also showed that 48.4 per cent have at least one author from outside the UK.

An impact profile is a graphic representation of normalised citation impact scores. One would expect to see a 'normal' curve on the graph, and the further shifted to the right the graph's curve is, the better.

As seen in figure 8, publications arising from MRC funding performed better than the UK average for fields of biological sciences, clinical/health and medically-related research (data and analysis: Thomson Reuters, (Evidence)). For the UK in general, approximately 30 per cent of papers are never cited. This falls to 8-12 per cent in biomedical fields and for MRC-funded research this reduces further still to about 4 per cent (as shown on the impact profile below).

Figure 8: Citation profiles for papers published 2006-2011 with citation scores taken at the end of 2012 - MRC compared with UK research in relevant fields





# Chief Executive's report

MRC 100

100 years of life-changing discoveries

# Chief Executive's report



*Sir John Savill, Chief Executive*

I would like to open my reflections on the year 2012/13 by welcoming the MRC's new Chairman, Donald Brydon. Mr Brydon was appointed in August 2012, bringing with him significant experience in business and as a Chair; he also serves as Chairman of the Royal Mail Group, Smiths Group plc and Sage Group plc. It goes without saying that we greatly appreciate the work of our previous Chairman, Sir John Chisholm, who worked with us for six years before stepping down in September 2012. We wish him well in his future endeavours.

Of course, in looking back on 2012/13 we are not just reflecting on one year's work, but on 100 years of life-changing discoveries. 2013 is our Centenary year, marking 100 years since the Medical Research Committee and Advisory Council was established in June 1913 to research tuberculosis and other diseases. We have come a long way in the intervening decades, developing antibiotics and vaccines, discovering the structure of DNA and the underlying causes of, and treatments for, many diseases. But our population faces ever-evolving challenges to health, and we are not complacent in our mission to improve the health of people in the UK and the world over.

There are three areas in which I would particularly like to see significant progress during my tenure at the MRC. The first of these is to work with the commercial sector to strengthen links between academic and industry researchers, in order to speed treatments to patients and enhance the life sciences sector. We consolidated this aim in 2012/13, announcing the recipients of funding from the MRC/AstraZeneca Mechanisms of Disease initiative (see page 32), funding the first rounds of the TSB/MRC Biomedical Catalyst (see page 32) and funding three large academic-industrial consortia under our Stratified Medicine Initiative (see page 32).

My second area of focus is to change the ecosystem for medical research funding with the establishment of a new model for the way that the MRC funds research. University units, created either by the transfer of existing MRC units to universities, or founded within universities from scratch, represent a dynamic, effective way for us to fund science. In December 2012 the MRC's Council approved the formation of a new university unit, the Metabolic Diseases Unit, which will be based at the University of Cambridge (see page 31).

Finally, there is also exciting potential in 'cradle to grave' electronic health (e-health) records, and how these can be linked to research and socioeconomic data to uncover otherwise hidden insights. I am enormously pleased that we, along with nine other funders, announced the funding of four e-health research centres in August 2012 (see page 35). Together they will support research exploiting anonymised records, and create the national expertise needed to ensure that the UK leads the field.

The MRC spends hundreds of millions of pounds on research every year, not to mention our work in leading policies around research practice, encouraging multidisciplinary and cross-sector collaboration, communicating the importance of medical research to a variety of audiences, and establishing the kinds of research environments that allow scientists to flourish. To capture all our activities in the year 2012/13 would be impractical, so instead we have pulled out a few highlights that we think best capture our progress in each of the four areas of the MRC Strategic Plan for 2009-2014, *Research Changes Lives*.

## Picking research that delivers

*Research Changes Lives* sets out our research priorities under two themes: *Resilience, repair and replacement*, and *Living a long and healthy life*. We aim to speed up the exploitation of the best ideas in these areas, from fundamental discovery science to therapeutic interventions. In 2012/13, the MRC continued to support world-class scientists working in fields relevant to these themes.

General areas of priority under these themes include research into the causes and prevention of neurodegeneration; the promotion of mental health and tackling addiction; regenerative medicine; investigating the genetic basis of disease; research into ageing, including the impact of lifestyles and the environment; and studying how the body protects itself from disease. The following are highlights from a handful of these areas.

Regenerative medicine is an emerging multidisciplinary field of research that holds promise for treating a range of conditions by repairing, replacing or regenerating cells. The field also represents an opportunity for bioindustry, and the MRC is working with a range of partners to consolidate funding and ensure that the UK remains at the forefront of progress in regenerative medicine as international competition grows. The MRC-led Strategy for UK Regenerative Medicine, published in 2012, guides work in this area, and in 2012/13 important components of the strategy were implemented.

The £25m **UK Regenerative Medicine Platform (UKRMP)**, a collaboration between the MRC, the Biotechnology and Biological Sciences Research Council (BBSRC) and the Engineering and Physical Sciences Research Council (EPSRC), was announced in March 2012. Around £13m of the funding has been dedicated to three research hubs, the locations of which were determined in March 2013. By bringing together a critical mass of researchers from different disciplines, the hubs should push through traditional barriers to translation. Crucially, the UKRMP will work in close collaboration with the TSB Cell Therapy Catapult, a commercially focused initiative which will encourage clinical application of UKRMP-funded research. The British Heart Foundation has aligned its funding in this area to the UKRMP, funding three regenerative medicine centres in the area of cardiovascular disease research.

A key partner in our regenerative medicine work in 2012/13 has been the Wellcome Trust. We launched the **Wellcome Trust-MRC Stem Cell Institute** in Cambridge in August 2012, each contributing £4m to the centre of excellence in which research scientists will work alongside technology specialists and doctors to develop therapies. The institute builds on previous MRC and Wellcome Trust investments, uniting 30 leading research teams with expertise across embryonic, adult and induced pluripotent cells. In November 2012, we also announced the **Human iPSC Initiative**, a £12.75m joint scheme led by the Wellcome Trust (to which the MRC contributed £4m), which will create a catalogue of high-quality adult stem cells.

Neurodegeneration, including diseases such as the dementias, is another major area of priority for the MRC. Age-related neurodegenerative diseases are among the leading medical and societal challenges for society. Around 800,000 people in the

UK have dementia, and more than a million will have it by 2020. People with dementias are challenging to care for, and the diseases are also challenging from a scientific perspective: there are few targets for drug development and the precise disease mechanisms are in many cases unclear. It is vital that new approaches are taken to tackle this.

It is against this backdrop that the **Prime Minister's 'Challenge on Dementia'**, a programme of work aiming to accelerate progress in the prevention, treatment and cure of dementias by 2015, was launched in March 2012. Neurodegenerative diseases have been a major research priority for the MRC since 2008, and we committed at the time of the challenge's launch to doubling spend on dementia research from £16.6m in 2010/11 to £33.2m by 2015/16. Throughout 2012/13 the MRC has continued to implement activities in four main areas to achieve this aim: increased investment in the MRC Laboratory of Molecular Biology's neuroscience division; the establishment of a brain imaging programme via UK Biobank (see page 34 for more details); support for the donation of the brain tissue to the UK Brain Banks Network; and continued investment in the EU Joint Programme in Neurodegenerative Disease Research (JPND) and the International Network Of Centres of Excellence in Neurodegeneration (COEN). The latter are international collaborations in which the MRC plays a leading role. They focus on developing biological 'markers' of neurodegenerative disease, identifying risk factors and creating better animal- and cell-based models.

### Zooming in on the genetics of Alzheimer's and Parkinson's disease

In 2012/13 we awarded large grants to two researchers who are leaders in the neurodegeneration field. Professor Julie Williams of the MRC Centre for Neuropsychiatric Genetics and Genomics at the University of Cardiff was awarded £2.7m over five years to compare the genomes of people with Alzheimer's disease with those of healthy people to find rare genetic variants that play important roles in causing the disease. This will include looking at people with early-onset Alzheimer's, as this is more likely to be genetic. Professor John Hardy of University College London's Institute of Neurology was awarded £1.07m over three years to look into how genetic mutations associated with an increased risk of Alzheimer's and Parkinson's disease affect gene expression to cause disease.

Working together with partner organisations is crucial to the MRC's mission of improving the health and wealth of the UK. Under the auspices of Office for Strategic Co-ordination of Health Research (OSCHR), the MRC works with the National Institute of Health Research (NIHR) to ensure that research efforts are coordinated and complementary, and that national capability is established in vital areas. In August 2012, the Prime Minister announced the establishment of a new initiative that will put the UK at the leading edge of understanding disease: **the MRC-NIHR Phenome Centre**.

The MRC and the NIHR each put £5m into the centre, which will be established by investigators from Imperial College London and King's College London. They will study the 'phenome', the body's chemical profile, by testing blood, urine, and other body fluids and tissues. The phenome changes over a person's lifetime and reflects how their environment has interacted, or not, with their genome to cause disease — providing insights into disease prevention and how treatment might be tailored to individuals. The centre will house precision equipment, some of which was donated by GlaxoSmithKline, used for drug testing during the 2012 Olympics Games in London. Equipment manufacturers Waters Corporation and Bruker BioSpin have provided equipment free of charge and will continue to support the centre, for example helping to ensure that the instruments remain up to date.

The centre will act as a national facility for phenome analysis, first studying samples from well-studied people already enrolled in population studies before becoming available to other academic and commercial organisations.

The field of phosphorylation research, which studies a type of cell regulation that involves the addition or loss of a phosphate group from proteins, has changed almost beyond recognition in the past two decades. From a research area that was once viewed as yielding largely fundamental insights have come 24 approved drugs for diseases that occur when phosphorylation goes wrong (with a further 150 drugs in clinical trials). Much of this success has been driven by the pioneering research of the MRC Protein Phosphorylation Unit in Dundee led by Professor Sir Philip Cohen, and the unit's involvement in the Division of Signal Transduction Therapy, a major collaboration between the MRC unit, the University of Dundee and six pharmaceutical companies which has received £50m in funding since 1998.

Now the unit is hoping to drive translational medicine forward in the burgeoning field of ubiquitylation, another type of cell regulation. Professor Cohen stepped down in 2012 and the new director, Professor Dario Alessi, has restructured the unit to include ubiquitylation researchers previously funded by the Scottish Government. The renamed **MRC Protein Phosphorylation and Ubiquitylation Unit** was awarded £23.4m from the MRC in October to take forward its vision.

Obesity and the diseases it causes is one of the biggest problems faced by the health of the UK and are a growing problem around the world. In an effort to learn more about how 'adipotoxicity' — the negative effect of fat within the body— causes health problems such as type 2 diabetes, the MRC has joined forces with the Wellcome Trust and the University of Cambridge to create a new initiative in obesity and metabolic medicine in Cambridge at the **Wellcome Trust-MRC Institute for Metabolic Medicine**. The initiative builds on significant existing investment from the three partners and will be unique internationally in its size and scope, linking fundamental science with experimental medicine and population research in a way not seen before. It will be funded jointly by the MRC (£14.4m) and the Wellcome Trust (£10m).

As part of the initiative, the MRC Council agreed in December 2012 to establish the **MRC Metabolic Diseases Unit**, a new university unit building on the work of the MRC Centre for Obesity and Related Metabolic Diseases. The new unit will work closely with the MRC Epidemiology Unit, which has a strong programme of research in physical activity, and nearby MRC Human Nutrition Research on fat metabolism. It will also develop close links with the Wellcome Trust's aligned investment in clinical research facilities. This multidisciplinary approach should mean new treatments and interventions are developed more quickly.

The way researchers analyse data is central to science, and with the ever increasing availability of e-health records and data generated from 'omics' disciplines, there are huge opportunities to get benefits for patients from previously untapped resources. For example, good handling of data coming out of clinical trials can speed up the detection of side effects of new drugs. However, to fully capitalise on new data sources, new methods must be developed, and in 2012/13 we made steps towards enhancing expertise in biostatistics in Cambridge. Professor Sylvia Richardson became director the **MRC Biostatistics Unit** in April 2012, and also holds a Research Professorship at the University of Cambridge, demonstrating the closer strategic links between the unit and the university that we hope will develop in the coming years, matching the university's strong track record in using 'omics' and population health with the unit's methods knowledge.

## Research to people

The second aim of *Research Changes Lives* is bringing research to people. This encompasses the translation of research from laboratory to healthcare settings as well as communication about research, and ensuring that the right regulations, ethics, governance and relationships with decision-makers are in place to realise the full benefits of research for people and the economy.

Supporting researchers to collaborate with industry is an integral part of our translational research strategy and at the heart of our mission to produce benefits for patients and growth in the UK economy. In 2012/13 we continued to implement innovative ways of working with pharmaceutical companies to support this goal.

In December 2011 as part of the Government's Life Sciences Strategy, we announced the **MRC/AstraZeneca Mechanisms of Disease Initiative**, a landmark partnership with the pharmaceutical company AstraZeneca. Under this new type of collaboration, we committed to fund UK academic researchers to use 22 de-prioritised AstraZeneca compounds to investigate disease mechanisms and explore repurposing the compounds for new disease areas. The MRC allocated £10m to fund the three-year research projects, and in October 2012 we awarded 15 highly collaborative projects in areas ranging from common illnesses such as cancer and Alzheimer's disease to rarer diseases such as muscular dystrophy. Eight of the projects will use the compounds in trials for other diseases, while the remaining seven will focus on laboratory and animal studies.

Another initiative originally announced in the Life Sciences Strategy is the £180m **TSB/MRC Biomedical Catalyst**. The aim of the programme is to support academic and industry scientists to move their research more quickly from discovery to commercialisation, extending public sector investment further along the translational pipeline, sharing risk with industry, and linking up the activities of the MRC and TSB to provide a continuous set of support for scientists. In August 2012 the first awards under the programme were made, with the MRC awarding £7.4m of 'Confidence in Concept' funding, which gave universities grants of between £250,000 and £750,000 to help them progress promising research towards clinical testing. It should fund around 150 pilot projects. In the same round, TSB awarded £2.5m to 18 small- and medium-sized enterprises (SMEs).

Later, in November 2012, the first substantial awards under the programme were made, with the MRC awarding £9.5m to ten projects led by academic institutions to carry out technical feasibility testing, establish proof-of-concept or demonstrate the clinical effectiveness of innovative technologies. TSB provided £29.6m to 22 projects led by SMEs in the same funding round. The second substantial round of funding, made in March 2013, saw the scheme award a further £47.2m in funding. The MRC awarded £13.9m to seven universities, with TSB awarding the remainder to 43 SMEs.

In recent times, it has been recognised that while many diseases may produce similar symptoms in patients, the ways people respond to treatment, or even the mechanism by which their disease is caused, may be different. Stratified medicine is identifying these subgroups of patients, meaning researchers can develop therapies aimed at these subgroups, and clinicians can treat patients with the most appropriate treatment.

In December 2011 we launched the **Stratified Medicine Initiative** to bring this disease-specific approach to more diseases by funding research consortia focusing on diseases where taking a stratified approach is expected to deliver benefits to patients in the short term. The consortia are multidisciplinary; involving industry partners, the NHS and academic groups. In December 2012 we announced that three consortia — in hepatitis C, Gaucher's disease and rheumatoid arthritis — had been funded with a total of £10.6m. The rheumatoid arthritis consortium was also awarded £1m in funding from the charity Arthritis Research UK.

### Stratifying hepatitis C

There is no vaccine for hepatitis C and, although there are some treatments available, they do not successfully treat the infection in all patients. A new type of HCV treatment, called direct antiviral therapy, has become available recently but it does not work in 30 per cent of affected people. To find out why, the STOP-HCV consortium, made up of 14 academic institutions and eight industry partners, will collect blood samples from 10,000 HCV patients from across the UK, along with information about their disease and how they responded to treatment. The researchers will then use the latest sequencing technology to analyse the genetic makeup of both the patients and the virus they carry to determine the genetic factors in treatment success, with the aim of translating this into patient care in the future.

Part of the MRC's Royal Charter is to promote dialogue with the public about medical research. In 2012/13 we carried out communications activities including launching MRC Insight, a new digital communications channel for the MRC which increases transparency and allows readers to see the 'real' people in the organisation, as well as focusing on communications work around the MRC's work with industry and in the area of regenerative medicine. We have also implemented a programme of activity in which we have been open and direct about MRC-funded research using animals, including facilitating a live broadcast by BBC 5 Live from within an animal facility in December 2012 and signing the sector-wide *Declaration on Openness* in animal research.

We also engage directly with the public by attending **major UK science festivals**. In 2012/13 MRC researchers ran hands-on activities at the Brighton, Cambridge, Edinburgh, Cheltenham and Oxford science festivals, the Big Bang Fair in London, and the British Science Festival in Aberdeen. At each festival, activities reflected current research programmes and ranged from hands-on experiences to engage schoolchildren and family groups with medical research, to public talks communicating the excitement of cutting-edge research, and its social and ethical implications.

### Going global

The third aim of *Research Changes Lives* is to use experience, expertise and resources to encourage partnerships with and among the international community to tackle important and challenging research goals. This includes supporting scientists in developing countries to build capacity in global health.

The MRC, the Department for International Development (DFID) and the Wellcome Trust work together to deliver a joint multimillion-pound scheme to fund late-stage clinical trials in developing countries. Launched in 2010, the **Joint Global Health Trials Scheme** focuses on interventions that could address the major causes of illness and death in low- and middle-income countries, such as malaria, HIV/AIDS, mental health, and poor maternal and child health. It also aims to fund trials which will lead to implementable results, increasing the evidence base for health practitioners and policy-makers. In June 2012, the scheme funded its second round of awards, bringing the total number of awards made so far to 22, and the total committed from all three funders to £41m. The scheme also launched its third call in May 2012, with the aim of investing £12m in the summer of 2013.

Chronic diseases, including cardiovascular disease (such as heart disease and stroke), chronic respiratory conditions and type 2 diabetes, account for around 60 per cent of deaths worldwide. To tackle this rising tide of chronic disease, particularly in

developing countries, a group of international research funders, including the MRC, established the **Global Alliance for Chronic Diseases** (GACD) in 2009. In 2011 the MRC launched a call for applications in high blood pressure research in low- and middle-income countries with other GACD partners such as the US National Institutes of Health (NIH), the Australian National Health and Medical Research Council and the Canadian Institutes of Health Research. In April 2012 the MRC invested just over £2m in two community-based projects that focus on approaches to control high blood pressure in China and South Africa. A total of 14 projects were funded worldwide with leveraged funding of £14m over five years.

The MRC Unit, The Gambia is the MRC's largest investment in global health research in a developing country. It focuses its research around three themes: vaccinology, disease control and elimination, and child survival. In November 2012, Professor Beate Kampmann, theme leader of vaccinology, was awarded £2m to develop a novel "toolbox" to better understand tuberculosis in children — particularly how to diagnose and protect against it — by combining epidemiological data with new microbiology and immunology techniques.

This follows a £2m grant awarded to Professor Umberto d'Alessandro, also in the MRC Unit in The Gambia, in December 2011 to understand why malaria transmission has been maintained in The Gambia despite a decrease in malaria prevalence in recent years.

## Supporting scientists

The fourth and final aim of *Research Changes Lives* is to strengthen the UK research base to enable the scientific community to respond effectively to current and future grand challenges in medical research.

One way in which we do this is to provide researchers with centralised resources with which to do their research. **UK Biobank**, a £90m project predominantly funded by the MRC, the Wellcome Trust and the Department of Health, collects and disseminates health information — physical measurements, questionnaire data and biological samples — from 500,000 UK adults between the ages of 40 and 69 at the time of recruitment. These data are available to academic and industry researchers the world over, who can use them to study how genetics, lifestyle and environment interact to cause disease in areas of public health interest. The resource will become more useful as the participants age and their data are linked to health records. UK Biobank opened to other researchers in March 2012, a significant milestone for a project which received pilot funding from the MRC in 2002.

In 2012/13 the MRC committed £23.6m in further funding to enhance the resource, using economies of scale to cost-effectively put more data at researchers' fingertips while conserving the valuable, depletable sample stocks. In March 2012 we committed £4m to a £9.4m partnership with the British Heart Foundation, Diabetes UK and the Wellcome Trust to carry out blood biomarkers assays of relevance for major diseases on all 500,000 members of the cohort. In October we committed to funding a series of imaging measurements, such as brain, heart and whole fat, on 8,000 participants at a cost of up to £9.6m.

### Investigating the genetics of lung disease

The first large-scale study to use the UK Biobank resource is the MRC-funded BiLEVE study led by Professor Ian Hall at the University of Nottingham. The £3.2m project will investigate the genetics underlying why some people develop chronic obstructive pulmonary disease (COPD) having never smoked, while others smoke for many years while maintaining good lung function. COPD, which includes conditions such as chronic bronchitis and emphysema, is the sixth most common cause of death in the UK, yet is a relatively under-researched area. The study will use high-throughput technology along with stored lung function and smoking data from 50,000 of the UK Biobank participants to determine the genetic variants associated with COPD susceptibility. The results will be made publically available and fed back into the UK Biobank resource.

The NHS has an unrivalled wealth of cradle-to-grave health data on the UK's population. With the advent of electronic health records, these data can be used on a scale not previously possible in research in a range of areas that will benefit health, from monitoring drug safety in populations to identifying the causes of disease.

To ensure that the UK uses this resource to the best advantage, the MRC has brought together a consortium of 10 research funders to commit £19m to four **E-Health Informatics Research Centres of Excellence** across the UK. The locations of the four centres — London, Manchester, Dundee and Swansea — was announced in August 2012, and they were established in March 2013. The centres will use a variety of health datasets: linking them together, combining them with research data such as those from cohort studies, or linking them to non-health datasets such as socio-economic data. They will be joined together by a network that will build expertise in this area, share good practice and promote understanding of the benefits of e-health records research among the public.

Part of ensuring that researchers carry out world-leading research is to make sure they have the very best equipment. Imaging is a vital research tool for understanding cellular and organism-level processes involved in disease, and in recent years significant technological advances have occurred that push at the boundaries of what is physically possible. To bring these advanced technologies to the UK and to help researchers work with microscopy manufacturers to tailor and develop equipment to their needs, we established the **Next Generation Optical Microscopy Initiative** in 2012/13. Working with the BBSRC and the EPSRC, we awarded £25.5m (£21.1m from the MRC) in December 2012 to 17 optical microscopy platforms across the UK, including combining electron and light microscopy.

Having sound, comprehensive and structured information available about the outputs and outcomes of research benefits a wide range of stakeholders by helping to demonstrate the strength of medical research in the UK. In 2009, the MRC implemented a new approach to collecting this information about MRC-funded research, developing MRC e-Val, an online form into which researchers could record their activity. This created a dataset which could be quickly searched and analysed. At the end of 2011, the MRC licensed the e-Val approach to Researchfish Ltd, which created a system that could be used by any number of research funders to collect comparable output information. The system, **Researchfish**, was launched in 2012/13 and carried out its first data collection towards the end of 2012.

6. Stewart PM, Bryan S, Dukes P, et al. What happens to clinical training fellows? A retrospective study of the 20 years outcome of a Medical Research Council UK cohort. *BMJ Open* 2012;2:e001792. Doi:10.1136/bmjopen-2012001792

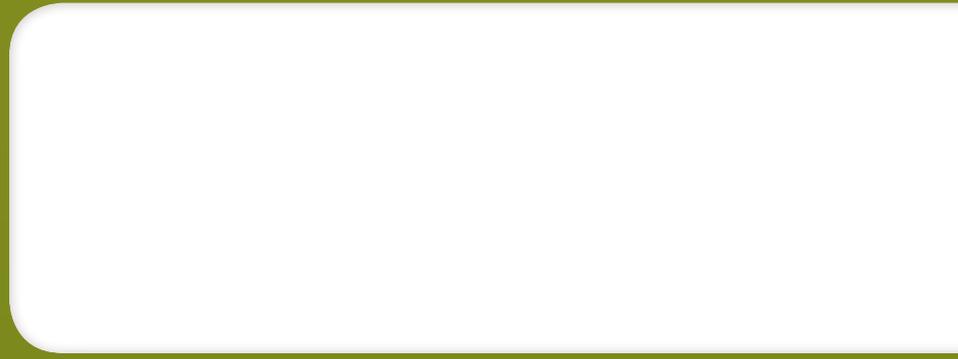
Twenty research funders now use Researchfish, collecting feedback on £1.8bn of UK research investment each year, and 12 universities have signed up to receive reports on the outputs of researchers in their institutions. In February 2013 we announced a £1m agreement with the Association of Medical Research Charities to provide access to Researchfish free of charge for their smaller members not already signed up to the system. Researchfish reduces the burden on researchers because they need only report jointly-funded research once, and the system stores previously inputted information. More than 6,500 researchers used the system in 2012/13, a figure that is set to grow considerably. With charity buy-in and a standardised system, Researchfish provides for the first time the opportunity jointly to examine progress in research that has been funded by multiple organisations.

2013 is the MRC's Centenary year and to mark 100 years of achievements by MRC scientists, we gave some of our early-career researchers the chance to accelerate their research and careers in creative ways. **The MRC Centenary Awards** were funded by some of the revenue generated by the MRC's intellectual property in therapeutic antibody technology, allowing past successes to enable current and future science. While adhering to the MRC's high standards, the awards allowed recipients the time or resources to think about their existing research in new and different ways — some awardees accessed new technologies, others travelled to learn new skills while others took their research down new paths. The awards — £12m in total — were disbursed either through direct competition or via our institutes, units and centres (and universities hosting MRC-funded PhD students).

The MRC offers numerous prestigious research fellowships which help to develop the next generation of research leaders. We received proof of this in 2012/13 when we published data on the careers of two sets of people: those awarded a Clinical Research Training Fellowship (CRTF) in 1991, and those awarded a CRTF between 1993 and 2003. CRTFs allow up to three years for clinically qualified professionals to undertake specialised or further training in biomedical science. The results were published in *BMJ Open* in July 2012 <sup>6</sup> and showed that 65 per cent of awardees now hold a senior academic post and 27 per cent are research-active NHS consultants. They showed that a CRTF can lead to combining research with clinical practice — 85 per cent of awardees were both clinically and research active. In terms of career impact, 94 per cent said it had significantly or very significantly affected their career. The study was the first of its kind and provides robust evidence that this type of fellowship helps to underpin research excellence at the interface between academic research and the NHS.

In May 2012 the MRC held its third **MRC Fellows' Symposium** in London. The event, attended by MRC-funded fellows as well as MRC Council members, MRC board and panel members, MRC senior management and industry representatives, gave fellows the opportunity to exchange ideas with each other and key stakeholders, as well as learn more about the MRC and our strategic priorities.





# Management commentary

MRC 100

100 years of life-changing discoveries

# Management commentary

## Information assurance

Throughout 2012/13 a face-to-face information security audit of all of the MRC's intramural units based on the ISO 27001 standard, was carried out by the Corporate Information Security team. This included a Security Policy Framework questionnaire for every unit.

With the demise of the National School of Government information security training, appropriate courses were imported onto the MRC's Knowledge Presenter learning management system with all staff being encouraged to complete the relevant courses.

One major development this year has been the assessment of the risks involved in using mobile devices for accessing MRC systems. As a result of this, a mobile device usage security policy was developed and implemented including a new training course.

In addition to the work above, the Corporate Information Security team has co-ordinated major security activities across the MRC, reviewing and reissuing policies, assisting and advising units where necessary and assisting in dealing with potential security incidents as and when they occur.

## Public information holder

The MRC does not sell public sector information. Therefore the MRC has no statement to make in relation to compliance with cost allocation and charging requirements as set out in guidance from HM Treasury and the Office of Public Sector Information.

## Thefts, losses and special payments

During the year the MRC incurred losses of £61,627.

- A loss of £9,587 resulting from fraudulent activity (two cases).
- Thefts of computer equipment, mobile devices and peripherals (twenty three cases) estimated at £15,600 in total.
- Losses of accountable stores (one case), leading to a constructive loss of £36,440.

In addition special payments totalling £52,148 (two cases) were made in relation to personal injury claims.

## MRC people

2012/13 marked the fourth year of pay restraint for the MRC. The MRC does not have a contractual arrangement in place to pay salary increments to staff, so staff felt relatively deprived in comparison with their counterparts in other research councils, and particularly those in the university sector where pay awards have continued throughout the period.

A project to harmonise terms and conditions with the other research councils had to be put on ice when funds were not made available for the harmonisation of hours as a consequence of the pay freeze.

For many staff working at the MRC the year has been dominated by discussions related to the formation of a number of university units and The Francis Crick Institute. Approximately a third of MRC's UK-based staff will transfer to the university sector under TUPE once all the transfers are made.

The National Trade Union Side has again provided excellent representation for its members throughout the year and helped make significant positive changes for staff working at the MRC.

Table 5 shows data for 2012/13 (locally employed staff in The Gambia and Uganda are not included).

Table 5: MRC employee analysis (for UK paid employees in post as at 31/03/13)

Gender	No. of Employees	%
Female	1,706	53.00%
Male	1,513	47.00%
<b>Total</b>	<b>3,219</b>	

Ethnic Group	No. of Employees	%
BME (black and minority ethnic)	385	12.02%
Non BME	2,368	73.59%
Not Disclosed	422	12.99%
Other Ethnic Group	44	1.40%
<b>Total</b>	<b>3,219</b>	

Disability	No. of Employees	%
Yes	37	1.15%
No	2,145	66.64%
Not Disclosed	1,037	32.21%
<b>Total</b>	<b>3,219</b>	

Table 6: Sickness absence 2012/13

Sickness Absence	2012-13	2011-12
Total no. of Employees (as at 31/03/13)	3,219	3,073
Total Days Lost to Sickness	13,460	14,762
Avg. Working Days Lost	4.18	4.80

## Efficiency

As set out as part of the 2010 spending review settlement, the research councils have implemented an efficiency programme to drive down the costs and overheads associated with research. The efficiency savings derived from this programme are being re-invested in research.

In the spring of 2011 Research Councils UK (RCUK) published *Efficiency 2011-15: Ensuring Excellence with Impact* describing how the research councils would implement the recommendations in Sir William Wakeham's report *Financial Sustainability and Efficiency in Full Economic Costing of Research in UK Higher Education Institutions*. The efficiency savings are being applied to both research grants and fellowships awarded via competitive routes to research organisations and also to research council institutes. The combined savings for Research Councils overall in 2012/13 was planned to be £82.2m and collectively this target was achieved.

RCUK also worked with university partners to introduce measures to promote and assist equipment sharing.

# Policy and best practice

## Security, safety and resilience

In line with the Government's policy on health and safety performance, we continue to strive for the MRC to be an exemplar of best practice. Our strategy for health, safety and security is based on business needs and takes a holistic view of health and safety management with annual priority objectives agreed by the MRC's Council.

The MRC's research units and institutes remain competitively benchmarked in health and safety, personnel security and business continuity planning. During the calendar year to 31 December 2012, there were 119 accidents reported across the MRC (3,073 UK staff as at 31 March 2012) compared with 129 for 2011 (3,211 UK staff as at 31 March 2011).

The number of accidents resulting in more than three lost work days dropped slightly to five, giving a rate of 1.6 such accidents per 1,000 staff. This compares with 2.3 for 2011.

The results of the audit across the MRC of business continuity management, completed in 2011, led to a comprehensive support package for research units including:

- a new training programme for all levels of management and staff
- planning templates for business impact analysis and
- a suite of desk top scenarios.

E-learning continues to play a key role in delivering training to staff across the MRC. We have introduced a training module

'Security in Recruitment' aimed at protecting the MRC from threats during recruitment from animal rights extremists and other personnel security risks. This course has been accepted by two professional bodies for animal technologists as part of their continuing professional development schemes.

The e-learning application is now used by directorates in MRC Head Office to provide inexpensive, in-workplace training for a wide range of courses.

To enable units to share information among themselves and with more than 140 major external organisations, the Safety, Health and Environment Inter Industry Benchmarking tool was successfully piloted. This provides units with a large repository of health, safety and environmental information, policies, procedures and examples of best practice across a wide range of research and business organisations.

The Safety, Security and Resilience team continue to contribute to publications including: *Responsible research: managing health and safety in research* (a guide for the higher and further education sector) and *CWA 16393 Laboratory Biorisk Management* (a guide to the international agreement on biorisk).

## Business information and information technology

In November 2012 the research councils jointly launched a beta version of the Gateway to Research system. This provides information about the research funded by the councils, together with associated output data. During 2013 work will continue to improve the functionality of the system and the breadth of data before the launch of the system in December 2013.

The research councils have collectively conducted a project to implement a new open source content management system for corporate websites. This project has been carried out jointly with BIS, which will use the system for its intranet.

## Social and community issues

In its strategic plan for 2009 - 2014, *Research Changes Lives*, the MRC pledges to make its work accessible to the public and to demonstrate value and highlight achievements. Engagement with the public and communities is delivered directly by MRC-funded researchers, who interact with a wide range of audiences including patient groups, local communities and schools. The most recent Researchfish data show that, since 2006, there have been over 15,600 individual engagement events by MRC researchers, of which 2,423\* took place in 2012.

Engagement with patient groups is common amongst scientists working in a recognisable disease area and 160\* such presentations took place in the last Researchfish reporting year, which includes events and activities involving research participants. These interactions help reassure patients, their families and carers that scientists are endeavouring to make a difference to patients, and also remind researchers how important their work is to people affected by a particular condition.

\* Researchfish data for 2012 is a partial representation of what happened during the year due to the timing of the data collection, which took place in October and November 2012.

### Case studies:

- Marcus Ormerod at the University of Salford was involved in a number of public engagement activities, one of which was a talk hosted jointly by the British Society of Gerontology and the Kilburn Older Voices Exchange. As well as talking to the older participants and local councillors on good street design, there was a specific session on falling over outdoors in which the participants were able to input into, and inform the development of the Go Far project. Subsequent to the event, some of the participants shared their experiences of falling over, and the dramatic effect that this had had on their lives, and the team will be able to use these narratives to bring forward the voices of older people in both the research, and impact from the research.
- Raymond Norbury at the University of Oxford hosted two sessions for sixth form pupils from local schools. The pupils attended the University of Oxford Centre for Clinical Magnetic Resonance Research and were given a demonstration of the scanner in action, a general presentation on Magnetic Resonance Imaging (MRI) and an MRI data analysis demonstration. The pupils were also asked to work in small groups and develop their own fMRI experiment, 'Which areas of the brain process colour?' the aim of which was to encourage them to think about experimental design in general and also to think about what you can and cannot do with an MR scanner. Feedback provided by the teachers, lecturers and pupils was very positive, and it is anticipated that similar presentations and workshops will continue and remain popular.
- Gavin Wilkinson at Cardiff University invited school students into the lab for work experience, as part of the department's on-going engagement with local schools. A total of 18 students were involved and undertook a lab research project that examined the effect of intrinsic immune defences on expression from an adenovirus carrier. The students were clearly engrossed in the work, asking many questions about the project, and formal feedback was extremely positive.

## Sustainability report

This is the second year that the MRC has produced a sustainability report across all MRC units, institutes and our two head office sites.

The MRC Head Office Estates Management Section (EMS) is working with colleagues across all MRC sites to improve the monitoring and collection of environmental data and it is recognised that there is room for further advances in the quality of data.

## MRC policy and summary of performance

The MRC is committed to the continual improvement of our environmental performance. Details of the MRC's environmental and sustainability policies, governance processes that support the management of sustainability performance, and the organisation's objectives can be found on the MRC website ([www.mrc.ac.uk/About/Informationandstandards/Environment/index.htm](http://www.mrc.ac.uk/About/Informationandstandards/Environment/index.htm)).

Each MRC research unit and institute is required to have a local environmental policy and action plan. They regularly monitor performance at a local level to ensure continuous improvement, wherever possible measuring their performance against measured data, and updating their policies and objectives as necessary. The EMS encourages and assists in the implementation of good environmental and sustainable practices in MRC estates and facilities and in MRC projects. EMS also shares good practice and maintains guidance to reflect the latest Government and regulatory requirements.

The MRC's environmental and sustainability policy and its attendant procedures will be subject to internal audit every three years to provide assurance that its requirements are being implemented effectively.

Key examples of steps taken by the MRC to improve our environmental performance include:

- The new building for the MRC Laboratory of Molecular Biology was designed with sustainability in mind.
- The building for the new Francis Crick Institute is being designed to meet the Building Research Establishment Environmental Assessment Method (BREEAM) excellent standard.
- The Research Complex at Harwell employs an earth tube solution to reduce energy demands and thus running costs.
- The MRC has participated in the Government Property Unit (GPU) annual benchmarking exercises for office buildings since this started.
- The MRC is participating in new government initiatives such as the "Carbon Reduction Commitment" and "Greening Government".

## Environmental data

The reporting boundaries for environmental data encompass the MRC's operational activities within all research units and institutes, including those in The Gambia and Uganda, as well as the head office sites. The figures include a proportion of UK Shared Business Services Limited (formerly the RCUK Shared Services Centre Ltd) emissions for their occupation of North Star House, Swindon, as agreed with other research councils.

Table 7: Annual consumption and resultant emissions for energy and water

Category	Unit	2010/11	2011/12	2012/13
<b>Direct energy emissions</b>				
Natural gas – usage (1)	kWhr	37,287,062	34,206,945	33,196,584
Natural gas – expenditure (2)	£	1,002,000	1,214,582	1,318,000
Natural gas – emissions	tCO2e	6,845	6,280	6,094
<b>Indirect energy emissions</b>				
Grid mains electricity – usage (3)	kWhr	49,885,637	56,399,518	68,265,501
Grid mains electricity – spend (4)	£	4,492,000	4,641,795	5,049,000
Grid mains electric - emissions	tCO2e	26,988	30,512	36,930
<b>Other indirect emissions</b>				
Business travel – emissions	tCO2e	1,493	1,681	1,455
Business travel – spend	£	361,055	1,704,548	1,610,000
Out-sourced emissions	tCO2e	268	268	268
<b>Emissions totals</b>	<b>tCO2e</b>	<b>35594</b>	<b>38741</b>	<b>44747</b>
<b>Emission totals/FTE</b>	<b>tCO2e/FTE</b>	<b>7.9</b>	<b>8.6</b>	<b>9.9</b>
<b>Finite Resource Consumption</b>				
Mains water consumption (5)	Cubic M	230,050	265,731	344,484
Mains water consumption/FTE	Cub. M/FTE	51.1	59.1	76.5
Mains water expenditure (6)	£	362,000	415,736	448,000

KWhr = Kilowatt hours. tCO2e = Tons of carbon dioxide emitted. FTE – Full time equivalent. (1) Gas usage from sites where data was available. (2) Total gas expenditure (includes payment via service costs). (3) Electricity usage from sites where data was available. (4) Total electricity expenditure (includes payment via service costs) (5) Water consumption data from sites where it was available. (6) Total expenditure, including sites where water consumption measurement data was not available (e.g. where paid via service costs)

Owing to incomplete data, it is currently not possible to analyse trends in emissions across the whole of the MRC.

The overwhelming bulk of the carbon emissions recorded results from the power demands of scientific equipment or where the conditions in which the research carried out requires high levels of containment, or air changes, which add considerably to power consumption. Some buildings such as vivaria require large amounts of water in the course of operation and also generate a large amount of waste, for example animal bedding. The MRC is looking at the practical possibilities of reducing power demands by more sophisticated use of building management systems.

## Quality and completeness of MRC data

### Electricity and gas

Many MRC research premises are embedded in host institution sites and do not have separate metering. Often these sites do not pay for utilities directly to the supplier but instead the host institution enters into the supply contracts, pays the suppliers and then recharges the cost to the MRC units via pro rata calculations (based on floor space) through the building service charges. The

MRC has already carried out extensive metering of buildings on MRC-run sites where we buy electricity and gas directly from the suppliers. However, there is a need to further increase separate metering in MRC sites that are situated on host institution premises.

### **Business travel**

Carbon emissions from all forms of travel (road, rail and air travel) have been collated from staff records and the resultant journey distances have been converted to calculate associated carbon emissions via the conversion factors published by the Carbon Trust.

### **Waste**

The data on waste sent to landfill or recycling was not complete enough to be included in this report. Waste has therefore been excluded from this report until better data can be obtained and reported.

### **Finite resource consumption**

The MRC currently has limited data with regard to water consumption. Figures for water are included in this report but an enhanced data measurement and recording system is necessary in order to accurately monitor the amount of resources used.

### **Biodiversity action planning**

The MRC undertakes biodiversity action planning at the two sites where the MRC has extensive grounds — at MRC Harwell in Oxfordshire and at the NIMR at Mill Hill, north London. At both sites the local environmental policy encourages the improvement of conditions in which biodiversity can thrive by careful estates management.

### **Sustainable procurement**

The MRC is collaborating with other research councils and UK Shared Business Services Limited in a procurement strategy based on regional clustering and bundling of facilities management contracts. The main focus of initiatives has been to reduce utilities and costs wherever possible and to promote the reduction of unnecessary consumption.

### **Future strategy**

It is a priority for the MRC to improve the quality and consistency of data available in order to encourage efficient behaviours.

As part of this improvement, we will work with landlords where the MRC pays for utilities via service contracts. We will also work with MRC units to continue the installation of improved metering.

Key environmental commitments for the next year include:

### Building, facilities and estates

- We will reduce our environmental footprint by using environmental best practice to design, construct and maintain our buildings and other equipment.
- We will measure and reduce emissions of carbon dioxide and other deleterious gases into the atmosphere.
- We will take steps to update and improve the means of measuring emissions waste and other criteria arising from our activities.
- On those sites where units and institutes have grounds which we manage, we will seek to protect and enhance biodiversity.
- We will work to maximise the recycling of waste materials.

### Travel

- We will continue to encourage employees to use tele-/video- conferencing where possible and public transport when travel is necessary.
- We will promote the establishment of green travel plans by units and institutes wherever possible.

## Financial results

Each year we receive a budgetary allocation from BIS in the form of a Departmental Expenditure Limit (DEL). The DEL is the primary control mechanism set by HM Treasury in resource accounting and budgeting, limits are set in the Spending Review. The MRC may not exceed the limits that they have been set. There is no flexibility allowed in practice to carry forward previous years' underspends.

The MRC has separate budgets for:

- Resource – which includes Near-Cash current expenditure such as pay or procurement and Non-Cash including depreciation, which is the current cost associated with the ownership of assets.
- Capital for new investment.

Within the resource budget some transactions will have an immediate or near-immediate impact on the fiscal position, for example pay, procurement and depreciation. Other transactions will only have an effect in future periods, for example the take-up of provisions, or revaluation of assets. Both types of transaction fall within the resource budget. Administration budgets are controlled to ensure that as much money as practicable is available for science programmes. Provision in the resource budget that is not in administration budgets is termed programme spending.

A summary of the MRC's financial results for 2012/13 and the preceding year is shown in the tables starting on page 51. Tables 8 and 9 show results using the accounting conventions required for reporting to central government. This form of accounting

differs in a number of ways from that required for our formal audited accounts. A reconciliation between the two sets of accounts is shown at Table 10.

## Major projects

### The Francis Crick Institute

The Francis Crick Institute (formerly the UK Centre for Medical Research and Innovation (UKCMRI)) is a joint venture between MRC, Cancer Research UK, the Wellcome Trust, University College London (UCL), Kings College London and Imperial College of Science Technology and Medicine, and is set up as a charitable organisation limited by shares. Each of the partners has agreed to capital contributions leading to shares, the capital being used for the construction of a new facility at St. Pancras, London. The new partners will also contribute to operational costs based on a new scientific strategy, and building lifecycle works i.e. capital replacement of assets, which are integral to the building such as mechanical, electrical, digital and fabric assets.

A Project Assessment Review was conducted in May 2012 when an amber-green level of delivery confidence was provided. The main contract was awarded for the construction work in February 2013, which continues on time and within budget.

The value of MRC's investment in The Francis Crick Institute (including land and investments) amounts to £164.9m as at 31 March 2013 (£104.6m 31 March 2012).

### Renewal of the Laboratory of Molecular Biology

The MRC Laboratory of Molecular Biology (LMB) in Cambridge had been housed in a 50-year old building, and a renewal project involving the construction of a replacement building to provide up-to-date, internationally competitive facilities for the LMB was established in 2009. The construction project was completed in November 2012 within budget, and the building has subsequently been fully occupied. Total capital investment in the building amounts to £202.5m.

### UK Shared Business Services Limited (SBS)

Formerly known as the RCUK Shared Services Centre Ltd, the SBS was created and wholly owned by the seven research councils, working together as Research Councils UK. The SBS draws together a wide range of services – from HR and Finance through to IT, Procurement and Grants – onto a single integrated platform. The SBS was set up with the aim of reducing spending through sharing and standardising processes, including more efficient procurement. The MRC utilises the single platform for its research grants, human resources, finance and procurement operations.

During the year the constitution was changed allowing BIS to buy majority ownership and control, and the entity changed its name to UK Shared Business Services Limited. This is part of the continued drive to enhance value for money within BIS and its partner organisations, ensuring best use of resources by allowing other BIS partner organisations to participate in the shared service platform. There is no change to the services SBS provides to the research councils and the seven research councils retain an interest in its ownership. (Full details of the change are included at Note 18 in the Financial Statements.) The SBS is regarded as a business critical project and is referred to in our Governance Statement.

## Review of the year

The MRC is required to control budgets within DEL under the Resource Accounting and Budgeting regime. The Programme Resource Near-Cash outturn of £542.9m was £3.3m (0.6 per cent) lower than budget. Capital expenditure at £20.3m was £0.4m higher than budget. Administration expenditure was £4.9m less than budget of £39.8m. The figures shown in the financial summary at Table 8 (overleaf) are those after adjusting for the difference between statutory presentation and those scoring under DEL. Table 10 shows the reconciliation of the finance tables to the Annual Accounts.

Table 8: Summary of Financial Return for 2012/13

	2012/13							
	Programme Resource		Admin Resource		Capital	Total		
	Near Cash £000	Non Cash £000	Near Cash £000	Non Cash £000			Total £000	Total £000
External Income	(102,424)	0	(102,434)	(162)	0	(162)	(2,172)	(104,758)
Income from Commercial Activities	(91,720)	0	(91,720)	0	0	0	0	(91,720)
Sale of Hammersmith Imanet Ltd	0	0	0	0	0	0	0	0
Release of Deferred Income	0	0	0	0	0	0	0	0
<b>Total Income</b>	<b>(194,144)</b>	<b>0</b>	<b>(194,144)</b>	<b>(162)</b>	<b>0</b>	<b>(162)</b>	<b>(2,172)</b>	<b>(196,478)</b>
Pay and Operating Costs	316,924	0	316,924	35,023	0	35,023	0	351,947
Depreciation of property, plant and equipment	0	21,235	21,235	0	0	0	0	21,235
Amortisation of Intangible assets	0	19,860	19,860	0	0	0	0	19,860
Impairment of property, plant and equipment	0	3,934	3,934	0	0	0	0	3,934
Reversal of prior year impairment of property, plant and equipment	0	0	0	0	0	0	0	0
Share of losses of joint venture	0	0	0	0	2,394	2,394	0	2,394
Provision movement	(1,618)	0	(1,618)	0	0	0	0	(1,618)
Research grants	403,025	0	403,025	0	0	0	11,060	414,085
International Subscriptions	17,847	0	17,847	0	0	0	0	17,847
Loss on Disposal of Property plant and equipment	912	0	912	0	0	0	0	912
Direct Capital	0	0	0	0	0	0	69,442	69,442
<b>Total Expenditure</b>	<b>737,090</b>	<b>45,029</b>	<b>782,119</b>	<b>35,023</b>	<b>2,394</b>	<b>37,417</b>	<b>80,502</b>	<b>900,038</b>
<b>Net Income &amp; Expenditure</b>	<b>542,946</b>	<b>45,029</b>	<b>587,975</b>	<b>34,861</b>	<b>2,394</b>	<b>37,255</b>	<b>78,330</b>	<b>703,560</b>
<b>Less Income from Dept of Health*</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(58,000)</b>	<b>(58,000)</b>
<b>Adjusted Net Income &amp; Expenditure</b>	<b>542,946</b>	<b>45,029</b>	<b>587,975</b>	<b>34,861</b>	<b>2,394</b>	<b>37,255</b>	<b>20,330</b>	<b>645,560</b>
DEL Budget	(546,243)	(48,849)	(595,092)	(39,774)	(3,099)	(42,873)	(19,887)	(657,852)
(Underspend)/overspend	(3,297)	(3,820)	(7,117)	(4,913)	(705)	(5,618)	443	(12,292)

\* capital contribution re the Francis Crick Institute

Table 9: Summary of Financial Return for 2011/12

	2011/12					
	Programme Resource		Admin Resource		Total	
	Near Cash £000	Non Cash £000	Near Cash £000	Non Cash £000	Total £000	Total £000
External Income	(80,994)	0	(89)	0	(89)	(81,542)
Income from Commercial Activities	(78,980)	0	0	0	0	(78,980)
Sale of Hammersmith Imanet Ltd	(451)	0	0	0	0	(3,451)
Release of Deferred Income	0	0	0	0	0	(688)
<b>Total Income</b>	<b>(160,425)</b>	<b>0</b>	<b>(89)</b>	<b>0</b>	<b>(89)</b>	<b>(164,661)</b>
Pay and Operating Costs	316,803	0	40,148	0	40,148	0
Depreciation of property, plant and equipment	0	20,381	0	0	0	20,381
Amortisation of Intangible assets	0	27,127	0	0	0	27,127
Impairment of property, plant and equipment	0	0	0	0	0	0
Reversal of prior year impairment of property, plant and equipment	0	(2,221)	0	0	0	(2,221)
Share of losses of joint venture	0	0	0	2,282	2,282	0
Provision movement	(7,835)	0	0	0	0	(7,835)
Research grants	362,936	0	30	0	30	32,937
International Subscriptions	18,258	0	0	0	0	18,258
Loss on Disposal of Property plant and equipment	23	0	0	0	0	23
Direct Capital	0	0	0	0	0	73,486
<b>Total Expenditure</b>	<b>690,185</b>	<b>45,287</b>	<b>40,178</b>	<b>2,282</b>	<b>42,460</b>	<b>884,354</b>
<b>Net Income &amp; Expenditure</b>	<b>529,760</b>	<b>45,287</b>	<b>40,089</b>	<b>2,282</b>	<b>42,371</b>	<b>719,694</b>
<b>Less Income from Dept of Health*</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(31,887)</b>
<b>Adjusted Net Income &amp; Expenditure</b>	<b>529,760</b>	<b>45,287</b>	<b>40,089</b>	<b>2,282</b>	<b>42,371</b>	<b>687,807</b>
DEL Budget	(536,172)	(46,295)	(40,911)	(3,030)	(43,941)	(694,508)
(Underspend)/overspend	(6,412)	(1,008)	(822)	(748)	(1,570)	2,288

\* capital contribution re the Francis Crick Institute

Table 10: Reconciliation of finance tables to Annual Accounts

Account Note	Programme £000	2012/13			Total £000	2011/12 Total £000
		Admin £000	Capital £000			
<b>External Income</b>						
Contributions from other government departments	4	(36,554)	(42)	0	(36,596)	(24,993)
Contributions and grants from other bodies	5	(62,517)	(90)	(2,172)	(64,779)	(51,977)
Other Income	6	(3,321)	(30)		(3,351)	(4,551)
Interest Receivable	7	(32)	0		(32)	(21)
<b>External Income per Finance Table</b>		<b>(102,424)</b>	<b>(162)</b>	<b>(2,172)</b>	<b>(104,758)</b>	<b>(81,542)</b>
<b>Other Finance Income</b>						
Total Other Finance Income	9f	(16,695)	0	0	(16,695)	(13,115)
Less IAS 19 pension income adjustments	9e	16,695	0	0	16,695	13,115
<b>Other Finance Income per Finance Table</b>		<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Pay and Operating Costs</b>						
Staff Costs	8	138,455	17,046	0	155,501	158,306
Less: IAS 19 current service costs		(3,508)	0	0	(3,508)	(10,913)
Other expenditure	10	132,066	17,977	0	150,043	164,667
Commercial Activities	15	49,911	0	0	49,911	44,891
<b>Pay and operating costs per Finance Table</b>		<b>316,924</b>	<b>35,023</b>	<b>0</b>	<b>351,947</b>	<b>356,951</b>
<b>Impairment of property, plant and equipment</b>						
Impairment of Property plant and equipment	SoCNE	16,896			16,896	0
Less Amount charged to AME not DEL		(12,962)			(12,962)	0
<b>Impairment of ppe per Finance Table</b>		<b>3,934</b>	<b>0</b>	<b>0</b>	<b>3,934</b>	<b>0</b>
<b>Provision Movement</b>						
Amount provided in year (charged to AME not DEL)	23	(2,714)			(2,714)	(9,049)
Less Amount expended in year (DEL Charge)	23	1,096			1,096	1,214
<b>Provision movement per Finance Table</b>		<b>(1,618)</b>	<b>0</b>	<b>0</b>	<b>(1,618)</b>	<b>(7,835)</b>

Table 10 (Con't)

Account Note	Programme £000	2012/13			Total £000	2011/12 Total £000
		Admin £000	Capital £000			
<b>Research Grants</b>						
Research Grants	11	230,485	0	12,633	243,118	267,634
Other Research	12	93,057	0	(1,573)	91,484	42,240
Postgraduate training awards	13	79,483	0	0	79,483	86,028
<b>Research grants per Finance Table</b>		<b>403,025</b>	<b>0</b>	<b>11,060</b>	<b>414,085</b>	<b>395,902</b>
<b>Direct Capital</b>						
Property, plant & equipment additions	17			20,243	20,243	89,847
Intangible asset addition - software licences	16			22	22	2
Plus investment in Joint Ventures addition	18			60,675	60,675	46,974
Less net book value of disposed property, plant & equipment	17			(1,180)	(1,180)	(63,317)
Less net book value of disposed software licences	16			0	0	(20)
Less net book value of disposal of investment in joint venture	18			(10,318)	(10,318)	0
<b>Direct Capital per Finance Table</b>		<b>0</b>	<b>0</b>	<b>69,442</b>	<b>69,442</b>	<b>73,486</b>

## MRC financial results for the year

- The statement of comprehensive net expenditure records a net expenditure of £635.6m (2011/12 = £652.0m).
- The parliamentary grant-in-aid totalled £655.9m (2011/12 = £697.5m).
- Total income amounted to £196.4m (2011/12 = £164.6m), staff costs totalled £155.5m (2011/12 = £158.3m), other expenditure excluding depreciation totalled £150.0m (2011/12 = £164.7m) and expenditure on research grants totalled £243.1m (2011/12 = £255.7m).
- Total asset (Non-current assets and Current assets) values decreased by £34.9m (2011/12 = £95.6m increase), while current liabilities decreased by £10.0m (2011/12 = £12.5m decrease).
- Reserves, excluding the general reserve, showed a net decrease of £107.7m (2011/12 = decrease £37.7m).
- General reserves increased by £29.6m (2011/12 = £75.9m increase).
- Total government funds at 31 March 2013 stood at £527.2m (31 March 2012 = £605.3m) (Statement of Changes in Taxpayers' Equity).
- There were no amounts payable to the Department for Business Innovation and Skills during the year (2011/12 = £0.0).

Income and expenditure are recognised in the Statement of Comprehensive Net Expenditure on an accruals basis (i.e. when the recipient has fulfilled its obligations, such as carried out a period of research). Grant-in-aid is credited to reserves. Note 25 of the Financial Statements shows capital commitments of £164.4m (2011/12 £211.7m) and forward commitments on research awards to Higher Education Research Institutes of £976.7m (2011/12 £716.3m). These commitments fall due in future years which, to the extent that they are not to be met from the MRC's other sources of income, may only be met by future grant-in-aid from BIS. This is because, under the normal conventions applying to parliamentary control over income and expenditure, such grants may

not be issued in advance of need. The statement of financial position as at 31 March 2012 shows a pension deficit of (£34.0m) (2011/12 asset £12.9m). This is the measure of the (deficit) / surplus in the pension scheme as valued at Statement of Financial Position date under IAS 19 –Employee Benefits. Full disclosure is given at Note 9 in the Annual Accounts

## MRC creditor payment policy

The MRC observes the Confederation of British Industry's Code of Practice. It adheres to the principles of the Prompt Payers Code and makes every effort to comply with the agreed terms of payment of creditors' invoices. In 2012/13 the MRC paid 87 per cent (2011/12 = 72.5 per cent) of invoices within 5 days. The Prompt Payers Code can be found at [www.payontime.co.uk](http://www.payontime.co.uk).

## Auditors

The MRC's accounts are audited by the Comptroller and Auditor General under the terms of paragraph 3(3) of Schedule 1 of the Science and Technology Act 1965. The audit fee covering 2012/13 was £185,000 for the audit of the year end financial statements. So far as the Accounting Officer is aware, there is no relevant audit information of which the MRC's auditors are unaware. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the MRC's auditors are aware of that information.

Sir John Savill  
Accounting Officer/Chief Executive Officer  
Medical Research Council  
Date : 3 July 2013



# Remuneration report

MRC 100

100 years of life-changing discoveries

# Remuneration report

## Remuneration Committee

(unaudited information)

Remuneration of the Head Office directors and of the heads of the MRC's units and institutes is reviewed by the MRC Remuneration Committee, the membership of which during 2012/13 was:

- Sir John Chisholm, Chairman until 30 September 2012
- Donald Brydon, Chairman from 1 October 2012
- Sir John Savill, MRC Chief Executive
- Professor Paul Morgan, University of Cardiff and Council member
- Professor Michael Arthur, University of Leeds and Council member
- Professor Richard Henderson, MRC Laboratory of Molecular Biology and Council member

Bruce Minty (MRC Chief Operating Officer), Ted Smith (MRC Group Human Resources Director) and Rebecca Leigh (MRC Head of Reward and Recognition) provided advice to the committee but were not present during discussions about their own terms and conditions of service.

## Remuneration policy

(unaudited information)

No formal pay scale exists for the MRC's most senior staff. Pay for this group is based on the concept of 'personal pay' and is reviewed by the Remuneration Committee. Pay above £100k per annum is approved by the BIS Senior Remuneration Oversight Committee (SROC) in addition to the MRC Remuneration Committee.

2012/13 marked the fourth year of pay restraint for the MRC. When not in a pay freeze, the Remuneration Committee makes reference to the changes made for all other staff in the MRC when agreeing pay rises for the senior employees; the individual's appraisal against annual or three to five year objectives; the scientific (or other) performance of a unit or group; the breadth of responsibilities as reflected in staffing, budgetary and other resource management issues; contributions to the delivery of wider corporate objectives (for example, in areas of ethics, corporate governance, public communication, and strategic partnerships);

and external market data. Market data are used to inform the competitiveness of remuneration packages in order to secure or retain world-class scientists as a corporate and national asset.

Remuneration is subject to a minimum acceptable level of performance. Pay adjustments are informed by both the general pay award rate and the provisions of the Additional Salary Reward scheme (branded Special Award Scheme), which allows for a maximum 10 per cent of annual salary payment for exceptional employee contributions, paid as a one-off non-consolidated payment at the end of year or a smaller quantum in-year.

Senior scientific staff are appointed on open-ended contracts, subject to five-yearly review in accordance with the MRC's scientific peer review system. Notice periods in the event of redundancy are a minimum of six months. Termination payments are in accordance with the MRC's Redundancy Scheme.

## Senior staff remuneration

(audited information)

The following section provides details of the remuneration and pension interests of the Chief Executive, Management Board and Council members.

A summary of the level of remuneration for the MRC's Management Board is shown in the table 11. The levels of honoraria for MRC Council members are also shown below.

### Chief Executive

The performance management and remuneration arrangements for the Chief Executive are established and managed by the Department for Business, Innovation, and Skills as the MRC's sponsor department. Research council chief executives are paid both a basic salary and performance pay comprising an annual and an appointment term bonus.

The Chief Executive was an ordinary member of the MRC's pension scheme until the end of March 2012 when he withdrew. Entitlements under conditions of service are the same as those for other members of staff and, should his contract be terminated early, he would be entitled to compensation under the terms of the MRC Redundancy Scheme. Details of the service contract of the Chief Executive and staff on personal contracts are given in the table below. These individuals do not have any specific contractual rights for termination of their contract.

Table 11: Senior staff contracts

Chief Executive and Directors	Contract Start Date	Contract End Date	Notice Period
Professor Sir John Savill Chief Executive	1st Oct 2010	30th Sep 2014	3 months
Dr Wendy Ewart Deputy Chief Executive	Permanent contract	-	3 months
Mr B Minty Chief Operating Officer	Permanent contract	-	3 months
Dr D Mulkeen Director of Research Programmes	Permanent contract	-	3 months
Mr T Smith Director of Human Resources	Permanent contract	-	3 months
Mr H Dunlop Director of Finance	Permanent contract	-	3 months
Mr A Bulger Director of Major Projects	Permanent contract	-	3 months
Dr A C Peatfield Director of Corporate Affairs	Permanent contract	-	3 months

## Salary including performance-related pay

Salary, including performance-related pay, covers both pensionable and non-pensionable amounts and includes gross salaries, performance pay or bonuses and allowances. It does not include amounts which are reimbursements of expenses directly incurred in the performance of an individual's duties.

## Hutton Report

The Hutton Report requires the MRC to calculate the mid-point of the banded remuneration of the highest paid director, and the ratio between this and the median. The calculation is based on the full-time equivalent on an annualised basis. MRC Median pay is £30,227 (2011/12 - £29,052). The Chief Executive's full time equivalent pay based upon working 29 hours a week as a multiple of median pay is 5.21 (2011/12 - 5.25).

## Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme.

A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures

shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

## Real increase in Cash Equivalent Transfer Values

This reflects the increase in the CETV and takes account of the increase in accrued pension, contributions paid by the employer and contributions paid by the employee, which includes the voluntary purchase of additional years of pensionable service and the value of any benefits transferred from another pension scheme or arrangement.

Table 12: Senior staff remuneration (audited information)

	2012/13		2011/12	
	Remuneration £000	Bonus £000	Remuneration £000	Bonus £000
<b>Professor Sir John Savill</b>				
Chief Executive	120-125	0-5	120-125	-
<b>Dr Wendy Ewart</b>				
Deputy Chief Executive	120-125	-	110-115	-
<b>Mr B Minty</b>				
Chief Operating Officer	135-140	-	130-135	-
<b>Dr D Mulkeen</b>				
Director of Research Programmes	100-105	-	95-100	-
<b>Mr T Smith</b>				
Director of Human Resources	140-145	10-15	140-145	-
<b>Mr H Dunlop</b>				
Director of Finance	85-90	-	20-25	-
<b>Mr A Bulger</b>				
Director of Major Projects	120-125	5-10	120-125	-
<b>Dr A C Peatfield</b>				
Director of Corporate Affairs	105-110	-	100-105	-

Remuneration includes any allowances but not benefits in kind or employers pension contribution. There were no benefits in kind paid in the year.

The senior staff promotions of Dr Ewart, Mr Minty were effective from 1 January 2012. Comparator remuneration includes that also earned in their previous posts: Director of Strategy & Director of Finance respectively during the year.

Mr Dunlop joined the Board following promotion on the 1 January 2012. Amount included as comparator relates only to the period following promotion. Full year equivalent £88,000.

Sir John Savill full year equivalent 152,500 (based on working 29 hours a week).

Table 13: Senior staff pension (audited information)

	Accrued pension at Retirement Age as at 31.3.13 and (Lump sum) £000	Real increase/ (decrease) in pension and related lump sum at retirement age £000	CETV at 31.3.13 or date left £000	CETV at 31.3.12 £000	Real increase/ (decrease) in CETV £000
<b>Professor Sir John Savill</b>	0 - 2.5 plus	(0-2.5 plus)	0	38	(38)
Chief Executive	0 - 2.5 lump sum	(7.5 - 10 lump sum)			
<b>Dr Wendy Ewart</b>	7.5 – 10 plus	2.5 - 5 plus	188	88	100
Deputy Chief Executive	27.5 - 30 lump sum	12.5 – 15 lump sum			
<b>Mr B Minty</b>	2.5 – 5 plus	0 – 2.5 plus	89	46	43
Chief Operating Officer	12.5 -15 lump sum	5 - 7.5 lump sum			
<b>Dr D Mulkeen</b>	30 – 32.5 plus	0 – 2.5 plus	538	396	142
Director of Research Programmes	90 -92.5 lump sum	5 – 7.5 lump sum			
<b>Mr T Smith</b>	5 – 7.5 plus	0 – 2.5 plus	99	57	42
Director of Human Resources	17.5 – 20 lump sum	5 – 7.5 lump sum			
<b>Mr H Dunlop</b>	30 – 32.5 plus	5 – 7.5 plus	556	371	185
Director of Finance	92.5 – 95 lump sum	15 – 17.5 lump sum			
<b>Mr A Bulger</b>	5 – 7.5 plus	0 – 2.5 plus	105	65	40
Director of Major Projects	17.5 – 20 lump sum	2.5 – 5 lump sum			
<b>Dr A C Peatfield</b>	35 – 37.5 plus	2.5 – 5 plus	671	538	133
Director of Corporate Affairs	105 – 107.5 lump sum	7.5 – 10 lump sum			

Pensions and lump sums are those calculated as at retirement age or date of leaving  
 Details of the MRC Pension Scheme appear in Note 9 of the Annual Account

## Council members

(unaudited information)

MRC Council members are appointed by the Minister of State for Universities and Science in accordance with the code of practice of the Office of the Commissioner for Public Appointments (OCPA). The normal period of appointment is four years, and members may be re-appointed for one further four-year term.

During 2012/13 a new Chairman and three new Council members were appointed, all of whom took up their appointments on 1 October 2012.

The positions of Council members are non-pensionable and there is no entitlement to compensation for loss of office. Emolument comprises an honorarium, set annually by BIS; enhanced honoraria are paid to some members, such as Council subcommittee chairs, to reflect additional responsibilities. Details of amounts paid to each member during the year are shown in table 14 below.

Sir John Chisholm, Dr Annette Doherty, Dr Ruth McKernan and Dr Memelas Panaglos chose not to draw their honoraria. Dr Richard Henderson, as a member of MRC staff, and Professor Dame Sally Davies, as an employee of the Department of Health, are not entitled to receive honoraria. As an ex officio observer for the Secretary of State for Business, Innovation, and Skills, Mr Jeremy Clayton did not receive an honorarium.

Table 14: Council honoraria 2012/13 (audited information)

Member	Position/Affiliation	Annual Honoraria	
		2012/13 £000	2011/12 £000
Mr Donald Brydon	Chairman (appointment commenced 1 October 2012)	0-5	-
Sir John Chisholm	Chairman (appointment ended 30 September 2012)	-	-
Professor Jeffrey Almond	Sanofi Pasteur, France	5-10	5-10
Professor Michael Arthur	University of Leeds	5-10	5-10
Mr Tony Caplin	Northwest London Hospitals NHS Trust	5-10	5-10
Professor Dame Sally Davies	Department of Health	-	-
Professor Chris Day	Newcastle University	5-10	5-10
Dr Annette Doherty	Pfizer, Sandwich (appointment ended 30 September 2012)	-	-
Dr Richard Henderson	MRC Laboratory of Molecular Biology, Cambridge	-	-
Professor Dame Sally MacIntyre	MRC Social and Public Health Sciences Unit, Glasgow	5-10	5-10
Dr Ruth McKernan	Pfizer, Cambridge (appointment commenced 1 October 2012)	-	-
Professor Paul Morgan	Cardiff University	5-10	5-10
Baroness Onora O'Neill	House of Lords (appointment commenced 1 October 2012)	0-5	-
Dr Menelas Panaglos	Astra Zeneca, Cheshire (appointment commenced 1 October 2012)	-	-
Ms Vivienne Parry	Writer and Broadcaster, London	5-10	5-10
Lord Naren Patel	House of Lords (appointment ended 30 September 2012)	0-5	5-10
Professor Michael Schneider	Imperial College London	5-10	5-10

## Declared interests

In common with others who serve the public, individuals working with the MRC observe the Seven Principles of Public Life as set out by the Committee on Standards in Public Life. Members of the MRC's Council, boards and subcommittees are required to declare any private, professional or commercial interests that might, or might be perceived to, conflict with the MRC's interests, and these declarations are published on the MRC website.

Senior MRC staff are required under the staff Code of Conduct to declare details of any company directorships and other significant interests which might conflict with their management responsibilities. Of the members of Management Board, Sir John Savill works for the University of Edinburgh for 16 hours per week. Declan Mulkeen is a board member of MRCT (MRC Technology). Dr Wendy Ewart is a board member of UK Biobank, a board member of the Francis Crick Institute, and a Trustee of the Alexander Ewart Fund for Nepal. Ted Smith is Chairman and Trustee of HCS Group Charity (and a director of its subsidiary trading companies, all publicly funded careers service providers) and Director of UKHR (Dormant).

Sir John Savill  
Accounting Officer/Chief Executive Officer  
Medical Research Council  
Date: 3 July 2013





# Financial statements

MRC 100

100 years of life-changing discoveries

# Financial statements

Year ended 31 March 2013

## Statement of the Council and Chief Executive's responsibilities

The financial statements presented are the accounts of the Medical Research Council.

Under paragraph 3 of Schedule 1 of the Science and Technology Act 1965 the Council is required to prepare a statement of accounts for each financial year in the form and on the basis directed by the Secretary of State for Business, Innovation and Skills, with approval of HM Treasury. The accounts are prepared on an accruals basis and must give a true and fair view of the Council's state of affairs at the year end of its income and expenditure, changes in taxpayers' equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular to:

- Observe the Accounts direction issued by the Secretary of State for Business, Innovation and Skills, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the Government Financial Reporting Manual have been followed and disclose and explain any material departures in the financial statements;
- Prepare the financial statements on a going concern basis.

The Department for Business, Innovation and Skills has appointed the Chief Executive as Accounting Officer of the MRC. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding the MRC's assets, are set out in the Accounting Officers' Memorandum, issued by HM Treasury and published in Managing Public Money (The Stationery Office).

# MRC Governance Statement for 2012/13

## 1 Introduction

This Governance Statement for 2012/13 explains the way in which the Medical Research Council (MRC) Governance Framework operates and details results from the review processes which enable me to have confidence in the effectiveness of the controls.

Progress in respect of the significant issues and conclusions outlined in the 2011/12 Governance Statement are detailed together with a summary of the past year and my conclusions.

The MRC is an independent non-departmental public body of the Department for Business Innovation & Skills (BIS). Ultimately the MRC is accountable to the public through Parliament for the funds it expends. Parliament monitors and influences the Councils work through Committees and the NAO.

The MRC, together with other Research Councils is reliant on the UK Shared Business Services Ltd (SBS), formerly called Research Councils UK Shared Service Centre (SSC) for the provision of administration systems and this statement also explains the oversight and assurance process and results for the service supplied.

This statement covers the following areas:

- Governance Framework & Structure
- Risk & Control Framework
- Specific areas of Risk
- Transparency
- Austerity
- Assurance Map
- Review of Effectiveness
- Current Risks
- Progress since 2011/12 Statement
- Significant issues
- Conclusion

## 2 The Governance framework/structure

The MRC Governance framework includes the Council, Council Audit and Finance Committee (CAFC), Management Board, Strategy Board, Operations Board and other forums, senior management, officials and staff. The MRC's decision making and advisory bodies are described below.

- 2.1 **The MRC's Council** meets five times a year. Council directs and oversees corporate policy and science strategy, decides all issues of major importance including issues of corporate strategy, sets key strategic objectives and targets, makes

major decisions involving the use of financial and other resources, and ensures the organisation is effectively managed. Council members have a corporate responsibility for ensuring that the Council's decisions are well founded and comply with any statutory or administrative requirements for the use of public funds.

**2.2 Council appointments.** The Council is led by the Chairman, with the MRC Chief Executive as Deputy Chairman and 13 other members, at least half of whom are appointed on account of their scientific qualifications. Council members are appointed by and accountable to the Secretary of State for Business, Innovation and Skills in accordance with the Code of Practice for Ministerial Appointments to Public Bodies.

**2.3 Changes to Council.** Three new Council members and a new Chairman (Mr Donald Brydon) were appointed to Council in October 2012, for a four year term. Three members, including the previous Chairman, stepped down when their terms ended (see footnote to 2.15).

#### **Main activities for 2012/13 <sup>7</sup>:**

- Reviewing delivery of the commitments in the MRC strategic plan, and other items of strategic importance;
- Advising on priorities for the refreshment of the strategic plan and the next Spending Review;
- Reviewing and approving decisions on MRC intramural investments including decisions regarding the transfer of MRC units to university units;
- Reviewing and approving major initiatives including estates and capital investment, including the Francis Crick Institute and the Laboratory of Molecular Biology;
- Reviewing and approving financial plans and performance;
- Reviewing and approving operational activities.

#### **Review of effectiveness.**

An internal audit of performance management included a review of the effectiveness of the Council's oversight of performance. The audit, which reported in 2012, gave an assurance level of substantial. The Council chairman holds regular 1:1 meetings with members to review performance.

**2.4** The Council reviewed the MRC's governance framework in the light of the latest corporate governance guidance from HMT and Cabinet Office. The role of the Nominations Committee in the appointment process for new Council members and the new Chair has been agreed with BIS and the OCPA assessor. The MRC worked with other Research Councils and BIS to update the Management Statement and Financial Memorandum to reflect the latest guidance.

**2.5** The Council is supported in its role by a number of Boards and Subcommittees <sup>8</sup>. There are four subcommittees made up of Council members and supplemented, where appropriate, with other members bringing specialised expertise and knowledge. Subcommittees have responsibility for specific areas of Council's remit; in some cases authority is delegated to them to act on behalf of Council, and in other cases they are acting in an advisory capacity either to Council Ethics, Regulation and Public Involvement Committee (ERPIC) or to the Chairman (Nominations Committee). The Council is also advised by an Employee Representation Forum.

<sup>7</sup> Agenda and redacted minutes are available on the MRC website.

<sup>8</sup> The terms of reference and membership of the committees are available on the MRC website [www.mrc.ac.uk/About/Structure/Council/CouncilCommittees/index.htm](http://www.mrc.ac.uk/About/Structure/Council/CouncilCommittees/index.htm)

- 2.6 The Council Audit and Finance Committee (CAFC)** meets five times a year. It supports and advises the Council and Chief Executive on matters of governance, risk and control. The committee is chaired by a member of Council and has two other council members plus five lay members, appointed after an openly advertised recruitment exercise. The CAFC responsibilities are set out in the terms of reference approved by Council. Meetings are attended by representatives from the National Audit Office (NAO) and Research Council's Audit and Assurance Service Group (AASG).
- 2.7 Changes to CAFC** Two new members were appointed during the year
- 2.8 Roles** - Members are aware of their different roles required in relation to the Audit and Finance remits of the committee. The operation of the committee is managed to ensure that the different requirements are fulfilled and conflicts between the roles are avoided.
- 2.9** The Committee is authorised by Council to investigate any activity within its terms of reference.

#### Main activities for 2012/13 <sup>9</sup>:

- Reviewing audit reports and tracking implementation of recommendations;
- Providing oversight and making recommendations to Council on the university unit transfers programme by reviewing gateway documents;
- Reviewing financial reports on outturn against budget;
- Detailed scrutiny of the annual accounts;
- Oversight of risk management with particular emphasis on corporate and fraud risks;
- Review of assurance process and findings;
- Review of e-Val and Researchfish – the MRC's electronic evaluation tools;
- Monitoring of major programmes.

#### Review of effectiveness

CAFC regularly challenges reports and sometimes requests changes to them. For example after review CAFC requested changes to the risk management report.

- 2.10** The **Remuneration Committee (RemCom)** reports to Council and met in May and November 2012 and March 2013. It is chaired by the MRC Chairman and there are four additional members, who are all Council members. The Committee normally meets three times a year in person and, as and when required, by teleconference. The MRC Chief Executive, the Chief Operating Officer and the HR Director are also invited to attend and advise the Committee. The Committee reviews the HR Strategy, in particular the pay, grading and bonus arrangements for the most senior staff, although its role has been curtailed somewhat in 2012 by the requirement imposed by BIS that all salaries above £100kpa have to be approved by BIS' Senior Remuneration Oversight Committee (SROC).
- 2.11** The **Ethics, Regulation and Public Involvement Committee (ERPIC)** is chaired by Baroness O'Neill of Bengarve and has 11 lay members. It is an advisory committee which meets twice a year and reports to Council.

<sup>9</sup> The minutes are available on the website

2.12 The **Nominations Committee (NomCom)** reports to Council. It is chaired by the MRC Chairman and there are four additional members. The Committee advises the Chairman on senior key appointments and meets as and when required. There were no meetings of NomCom during 2012/13.

2.13 The **Strategy Board** meets eight times a year is chaired by the CEO and is responsible for developing, coordinating, and overseeing the implementation of and evaluating the MRC's strategic plans. Membership includes the Chair of each of the Research Boards and Strategic Overview Groups plus an MRC institute Director. The Strategy Board reports to Council and has a budget delegated by Council for strategic awards.

2.14 The four **Research Boards** each meet three times a year and are responsible for one of the four major areas of medical science that together make up the MRC portfolio. They, together with expert funding committees, are responsible for assessing applications for research funding and have delegated budgets for new awards. There are four strategic overview groups (Training and careers, Global Health, Translational Research and Public Health) which are responsible for ensuring that the MRC's activities in these key areas are well coordinated and strategically positioned.

#### 2.15 Council and Committee attendance, 1 April 2012 – 31 March 2013

Name of Member	Attendance			
	Council	RemCom	CAFC	ERPIC
Prof Jeffrey Almond	4/5			
Prof Michael Arthur	5/5	1/3	3/5	
Mr Donald Brydon <sup>10</sup>	2/3	2/2		
Mr Tony Caplin	5/5		5/5	
Sir John Chisholm <sup>11</sup>	2/2	1/1		
Prof Dame Sally Davies	2/5			
Prof Chris Day	5/5			
Dr Annette Doherty <sup>12</sup>	2/2			
Dr Richard Henderson	4/5	2/3	3/5	
Prof Dame Sally MacIntyre	5/5			
Dr Ruth McKernan <sup>13</sup>	3/3			
Professor Paul Morgan	4/5	3/3		
Baroness Onora O'Neill <sup>14</sup>	3/3			1/1
Dr Menelas Pangalos <sup>15</sup>	2/3			
Mrs Vivienne Parry	5/5			0/2
Lord Naren Patel <sup>16</sup>	2/2			1/1
Sir John Savill <sup>17</sup>	5/5	3/3		
Prof Michael Schneider	5/5			
Ms Anna Anderson <sup>18</sup>			3/4	
Ms Gill Noble			4/5	
Ms Rima Makarem			2/5	

10. Mr Donald Brydon's appointment as Chairman began on 1 October 2012

11. Sir John Chisholm's appointment as Chairman ended 30 September 2012

12. Dr Annette Doherty's term on Council ended 30 September 2012

13. Dr Ruth McKernan's term on Council began 1 October 2012

14. Baroness Onora O'Neill's term on Council began 1 October 2012

15. Dr Menelas Pangalos's term on Council began 1 October 2012

16. Lord Naren Patel's term on Council ended 30 September 2012

17. Sir John Savill is the Chief Executive and Member of Council

Mr Alastair Hewgill	4/5
Mr John Jeans	3/4

### Key

Council Member

Independent CAFC members

Management

## MRC compliance with the Corporate Governance Code

2.16 The MRC operates in compliance with the Corporate Governance Code in so far as it applies to Arm's Length Bodies.

### Management Board

2.17 The **Management Board** is the MRC's principal executive decision-making body. It meets monthly and is accountable to the Council through the Chief Executive. It is chaired by the Chief Executive and comprises the Deputy Chief Executive and Director of Strategy, the Chief Operating Officer, and other corporate directors. The key activities of Management Board during the year included:

- Advising Council on corporate strategy;
- Approving the annual and longer-term financial plans for submission to Council;
- Approving board activities, specifically membership and recommendations made during intramural scientific reviews, including funding proposals;
- Ensuring that MRC engages effectively with partners and stakeholders;
- Advising Council on the initiation and progress of major projects or investments;
- Reviewing and approving the corporate and fraud risk registers;
- Making executive decisions on matters having a material impact on the organisation (including reputational, legal/regulatory);
- Approving policy input to Government enquiries or to other external bodies.
- Advising the Council on corporate communications strategies;
- With advice from Operations Board, making recommendations to Council on policies for Finance, HR, IT, Estates, and Health and Safety.

2.18 **Operations Board** is the MRC's principal body for operational decisions. It meets monthly and is chaired by the Chief Operating Officer and includes representatives from each corporate directorate and Senior Unit Administrators representing the Units. The key activities of during the year included:

- Reviewing and approving policies;

<sup>18</sup> Ms Anderson joined the CAFC on 30th March 2012, and attended the next available meeting 27th June 2012.

- Monitoring performance of UK Shared Business Services Ltd;
- Monitoring implementation of audit recommendations.

## Partner organisations

**2.19** The MRC is a key funder in a number of partnerships. MRC interests in each of these is governed via a Joint Venture Agreement. Separate companies have been established and the MRC has a nominated Director on each board. The governance arrangements for these partnerships are subject to review by RCIAS on a rolling programme, in the last year Biobank has been reviewed and received substantial assurance. The partnerships are:

- UK BioBank
- Imanova
- The Francis Crick Institute

**2.20** Other key funded partnerships are:

- The European Molecular Biology Laboratory (EMBL). Membership and partnership arrangements are governed by intergovernmental agreement;
- The European and Developing Countries Clinical Trials Partnership (EDCTP). The MRC is signatory to the EDCTP European Economic Interest Group (EEIG) established under Article 169 of the Treaty of European Union (now Article 185 of the Lisbon Treaty).

**2.21** Whilst the detail for each partnership may differ, the MRC has appropriate agreements in place and actively engages through representation at senior level. Our risk and assurance frameworks ensure that matters emanating from these activities are reported and that issues are responded to in an appropriate manner.

## 3 The Risk and Internal Control Framework

The MRC believes that identifying and managing risks and opportunities plays a critical part in the effective and efficient delivery of the MRC's long-term organisational objectives, creating confidence and trust within the scientific community and the general public and enables better planning for the future.

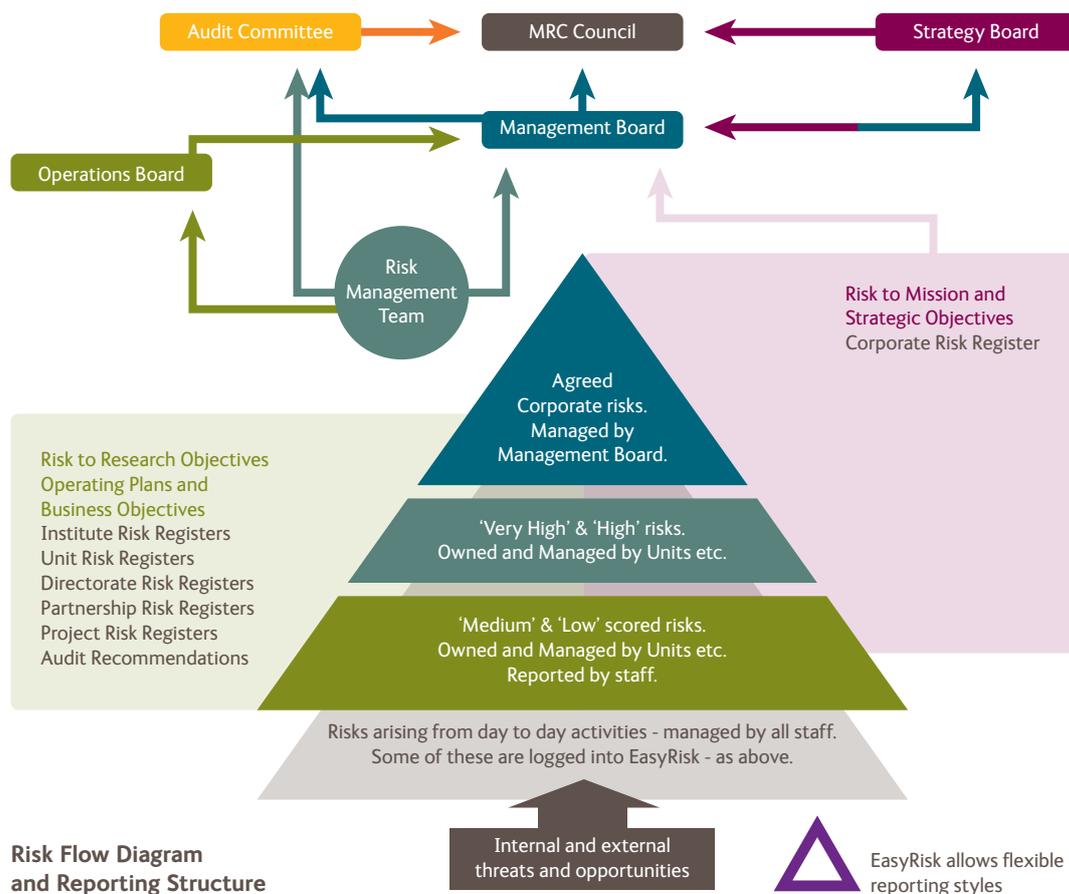
The risk team acts as a central point for training, advice and guidance on risk management. This team also co-ordinates the corporate risks, which are reviewed on a quarterly basis prior to reporting to CAFC and Council.

The Directors Annual Statement of Internal Controls (see section 8.3) responses are collated and reviewed by risk management team prior to validation by Corporate Leads

All managers are responsible for ensuring that significant risks are identified, that appropriate mitigating action is implemented and all information is recorded and updated in the MRC's risk management software. The Risk team provide challenge and support to ensure that risks are appropriately rated and updated.

There is a system for escalating all risks that exceed the MRC risk appetite to Operations Board and/or Management Board for discussion.

## Overview of the Risk Management and Escalation process



- 3.1 All decision papers to Council, Management Board and Strategy Board require a statement on the risks relevant to the decision.
- 3.2 The Head of Risk Management regularly reviews risks with corporate directors, unit managers and programme boards.
- 3.3 The risk management team provide a mix of training courses and workshops to support staff, and training needs are reviewed annually.
- 3.4 The MRC use the "EasyRisk" risk management software to record and track all risks and audit recommendations.

## 4 Specific areas of risk

### 4.1 Managing the Risk of Financial Loss (MRoFL)

- 4.11 A full review of the MRC's operational processes and controls was carried out by Internal Audit in 2011 and action plans for the areas identified as having control weaknesses were put in place.
- 4.12 Subsequent reviews by Internal Audit have shown that control weaknesses still exist across the main areas of Human Resources, Process, Systems and Data. Significant issues are detailed in section 11 of this statement.
- 4.13 GPC and iExpenses and Order to Cash – there are three issues from the final assessment (October to January 2013) where the current exposure to MRC is considered High and details are in section 11 of this statement
- 4.14 In recognition of the risks of financial loss in the African Units, the MRC has initiated a project to replace the separate finance systems. This project will be completed in December 2013. It will provide improved controls and visibility both in Africa and the UK.

### 4.2 Information Assurance & Information Security

- 4.21 The management of information risks is fully integrated within the risk management process, the Director of Information and Systems is the MRC's Senior Information Risk Owner.
- 4.22 Every MRC unit and institute undergoes an annual review of information security management systems. This process evaluates compliance with the mandatory requirements in the Cabinet Office Security Policy Framework and with the MRC standards in twelve areas. These include management and policy, identification and authentication, personnel procedures, mobile device security and physical security. The MRC standards are based on industry standards. All MRC owned Units were included in the 2011/2012 review and all achieved a compliance rate greater than the 75% threshold. The field work for the 12/13 audit has been completed and the report considered by CAFC at the end of March. The indications are that all units bar one have achieved compliance above 75%. Remedial actions have been proposed for the one unit which fell below the threshold.
- 4.23 Each unit assesses risk for all information security elements that identify weaknesses and ensures that remedial actions or risk responses can be monitored through EasyRisk. The results of these assessments and associated action plans are reviewed by the risk management team and the Director of Information and Systems. Internal Audit has identified this approach as best practice.
- 4.24 The Corporate Information Security team manage an IT Security Forum which involves security representatives from each MRC unit and institute. Both government and local policies and guidelines are discussed as well as on-going issues.
- 4.25 The above detailed review of Information Security applies to the MRC's own establishment and does not cover the systems and services provided by the SBS to the MRC.

4.26 The SBS systems and processes have been the subject of Internal Audit review and AASG have highlighted in their reports concerns which are detailed in the Significant Issues section of this statement. These issues have been identified in three areas of the Controls and Security Framework (Network Security, Master Data Maintenance and E2E Process Governance) but these areas make up 75% of the review and only a Limited Assurance Rating has been given. The remaining 25% is substantially assured. AASG and the MRC will be monitoring the completion of the action plans in relation to the significant issues.

#### 4.27 Personal Data Incidents

Category and Nature of Incident	Total
Loss of inadequately protected electronic equipment, devices or paper documents from secured MRC premises	0
Loss of inadequately protected electronic equipment, devices or paper documents from outside MRC premises	1
Insecure disposal of inadequately protected electronic equipment, devices or paper documents	0
Unauthorised disclosure	3
Still under investigation and not yet categorised	3

I can confirm that there are no information security incidents that have needed to be reported to the Information Commissioner. There is one incident which is still under investigation, which may require reporting next year.

## 5 Transparency

In line with Government's commitment to greater transparency of public information, the MRC publishes information on how we spend the public funding we receive. Information on senior staff pay, management and staffing structures, spending over £25,000 and transactions on Government Procurement Cards over £500 is routinely published on our website and is also accessible on [www.data.gov.uk](http://www.data.gov.uk). All new contractor and consultancy appointments are vetted to ensure that they are not deliberately avoiding paying appropriate tax and NI. All contract renewals have to provide the MRC with the same assurances. Data are presented for the MRC's research units and institutes, head office, regional administrative centres and research facilities.

The MRC, jointly with the other research councils, has participated in the Gateway to Research project. This project provides a website with information about the research that the councils have funded, together with the associated output and outcomes. It is being developed as part of the BIS Innovation and Research Strategy and a final live system will be launched at the end of 2013. A beta version was made available in December 2012.

## 6 Austerity measures

In May 2010 a raft of austerity measures were introduced across by Government with an aim to reduce expenditure and introduce greater transparency to give insight into how the limited resources can be best used. MRC actions are compliant with these guidelines, in particular the drive to provide procurement savings through the RCUK SBS joint procurement initiatives; in addition the MRC's policies on travel and other areas seek to provide best value for money in line with guidance issued.

## 7 Assurance Map

- 7.1 The Assurance Map sets out the areas against which the MRC requires assurance together with the sources of assurance. The Map gives visibility in one document of the assessment of our current controls (backward facing) together with exposure to risks as identified in the risk registers (forward facing). The Map is updated and reviewed by Management Board and the Council Audit and Finance Committee every six months. It is used to develop the annual audit programme.
- 7.2 During the year a supplementary Assurance Map has been developed for university units and the African units.

### Audit and Assurance Service Group (AASG)

- 7.3 The Head of Internal Audits, overall opinion of MRC's control framework is "Substantial Assurance" this equates to a basically sound system of internal control, but where there are a few weaknesses that may put achievement of some system objectives at risk.
- 7.4 Control framework is based around the three lines of defence
- Risk Champions embedded within MRC Head Office and the regions
  - Risk Management Team embedded with Corporate Governance Group
  - Audit – AASG and other external audits
- 7.5 The Audit Strategy and accompanying risk based audit plan have been designed to cover reviews across three components:
- MRC Core activities;
  - MRC/SBS Ltd end to end processes;
  - Cross-Council assurance.
- 7.6 The internal audit programme is developed annually in consultation with the CAFC, Management Board and the Head of Risk Management.
- 7.7 The outcomes of all audits are discussed at CAFC meetings.
- 7.8 The MRC has a comprehensive system for tracking implementation of audit recommendations. Progress on implementation is reviewed at Operations Board and CAFC, at least quarterly. This process has been commended by AASG.

## Audit of African units

- 7.9** A new approach to auditing the African units was introduced in April 2012, involving a mix of local audits and audits by AASG based on the Assurance Map. Two frauds were identified at our African units and dealt with appropriately. Although unwelcome they do not represent a material loss of financial control.
- 7.10** The audits have highlighted issues with the controls framework across key financial systems. The implementation of all recommendations are being addressed by management and monitored by CAFC. A key element to improving the controls is the completion of the project to introduce a new finance system common to both units and visible in the UK.

## Funding assurance activities

- 7.11** Funding assurance activities are now encompassed within the overall remit of AASG. These activities focus on substantive testing of the control environment [within research organisations] and its effectiveness in ensuring compliance with the Research Councils' terms and conditions which accompany grant funding. A further strand of work focuses on the scrutiny of the costing methodology used in research organisations, which for universities is the Transparent Approach to Costing [TRAC].
- 7.12** In 2012-13, 32 assurance assignments were undertaken, comprising of 17 visits and 15 desk based reviews. Findings for the year indicate that a satisfactory level of assurance can be reported based on the work undertaken. More detailed information on the results of the assurance programme will be included in the 2012-13 AASG Annual Operating Report [July 2013].

## Research integrity

- 7.13** Following publication in July 2012 of the UUK Concordat to support research integrity to which RCUK was a signatory, RCUK has revised its policy and guidance on research integrity. This was published in February 2013. The policy now includes provision for seeking assurance from research organisations in receipt of Research Council funding regarding their policies and processes for promoting research integrity and for investigating allegations of scientific misconduct. This additional assurance has been built into the existing RCUK Assurance Programme.
- 7.14** The MRC aims to be a leading body in evaluation and in capturing of outcomes of funding research through comprehensive use of e-Val/Researchfish, and funding independent and external research into outcomes and impacts.

## UK Shared Business Services Ltd

### 7.15 CSG Annual Assurance Statement 2012-2013

The Client Service Group (CSG) represents all seven Research Councils in their relationship with the SBS as clients. The following statement represents an overview of the assurance provided to the councils by the work of the CSG and its subgroups (the Practitioner Service Groups). The statement can be augmented by individual Councils as they judge appropriate in providing the necessary levels of assurance to their Councils, Audit Committees, senior management and BIS.

The UK Shared Business Services Ltd (SBS) project ended on 31 March 2011. Since that date, the body responsible for co-ordinating the Councils' collective engagement with the SBS as clients has been the CSG. This role has been fulfilled alongside a range of assurance mechanisms established by BIS as part of the SBS stabilisation process and move toward on boarding new clients into the SBS. For example from January 2012, a joint SBS/CSG assurance reporting framework was established to report to the BIS Assurance Board, set up to monitor the stability of the services provided by the SBS.

The CSG has taken responsibility for, inter alia, the negotiation of annual service charges and development funding; the development of business improvement activities in each of the main functional areas covered by SBS service delivery; and oversight of an end to end audit assurance programme. Formal approval of funding is however made by the Efficiency and Reform Group, advised by CSG.

#### **Overall Assurance**

During the year our emphasis has been placed on seeing SBS through to stabilisation. As part of this process BIS has taken an active role in establishing robust structures with cross Council representation to oversee progress and input from AASG. The purpose of this framework was to ensure that the control structures surrounding the end-to-end shared business processes are suitably designed and established (control design), and operating as intended (control effectiveness and fit for purpose).

During 2011/12 AASG (formally RCIAS) carried out 20 audits covering RCUK SSC Service Delivery End-to-End Business Processes (15 BPA audits) and the underlying Control and Security Framework (5 CSF audits). During 2012/13 AASG reviewed all outstanding recommendations seeking evidence of both implementation and effectiveness. All recommendations prioritised by the Research Councils and SBS as critical to stabilisation were validated as being closed by October 2012, however their effectiveness continues to be monitored as part of the ongoing review process.

In addition a revised suite of performance indicators has been put in place (Critical Performance Indicators – CPIs). Latest analysis indicates that the overall direction of travel is positive.

Stabilisation was formally signed off, albeit with a few caveats. Nevertheless, we continue to monitor and stress the importance of making sure that SBS performance does not just maintain these standards, but continues to improve.

#### **Key areas**

As above, particular attention has been given to stabilisation over the past year. Going forward the governance arrangements will evolve as new clients come on board and discussions are in hand to formalise these arrangements. CSG continues to monitor progress and a range of key areas include:

- Post Stabilisation, manual workarounds;
- Grants service provision;
- Fixed Assets and impact of Modified Historic Cost Accounting (MHCA) calculations;
- Error count, accuracy, duplication, and timeliness of activities;
- Management Information (MI) for project managers; and
- Systems availability and security.

A number of areas have been highlighted in the AASG annual reports related to the Controls and Security Framework (CSF) with five significant control weaknesses highlighted. The responsibility for addressing these areas rests primarily with the SBS rather than the Councils.

Looking ahead, a revised governance model will be rolled out as BIS and Partner Organisations begin to take service from the SBS and this will replace the current CSG structure during 2013/14. The Research Councils will participate within (and influence the shape of) this governance structure, but will need collectively to continue to:

- Assess the relevance of governance arrangements, charging models and CPI's to Research Council business needs
- Ensure mitigations are in place to minimise any disruptive service impacts resulting from expansion of the SBS customer base

**7.16** AASG has produced a Dashboard report that highlights critical outstanding actions in relation to the SBS processes in a number of areas. The Audits cover the end-to-end processes but the reports do not detail whether findings affect specific Councils. It is therefore not possible to identify control issues specific to the MRC. There is also currently a delay in receiving the reports as they are first issued to the SBS and then distributed later to each of the RCs for review.

## University unit transfers

**7.17** This programme is being managed in line with standard programme governance with suitably qualified Project Managers and a Project Board in place. Internal Audit has carried out an Audit of the transfer process and lessons learned were then incorporated in to the methodology used for subsequent transfers. The Programme Board regularly reviews risks and initiates appropriate action. Relevant Boards and Committees are appraised of progress.

## 8 Review of effectiveness

**8.1** As the MRC Accounting Officer I have responsibility for reviewing the effectiveness of the system of governance, risk management and internal control. This is informed by the work of the internal auditors and the executive managers within the MRC who have responsibility for the development and maintenance of the internal control framework and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Management Board, the Council Audit Committee and Risk Management Committee and have developed plans to address weaknesses and ensure that

continuous improvement of the system is in place. This Governance Statement represents the end product of the review of the effectiveness of the governance framework, risk management and internal control.

- 8.2 In 2007 the MRC adopted the 'Risk Management Assessment Framework' – a risk management assessment tool - to benchmark the MRC's risk management activities and measure progress. The review for 2012/13 shows that overall risk management has remained stable with slight improvement in areas of partnership risk management.

## Directors Annual Statement of Internal Control (DASIC)

- 8.3 All MRC Directors (Unit and Head Office) provide an annual assurance statement (DASIC) on their areas of responsibility. These returns provide an overall positive assessment on the compliance with policies and systems of internal control. This year returns have also been required from the three Overseas Offices that the MRC manages on behalf of all research councils.
- 8.4 The returns are reviewed and validated by Corporate Leads for each area of responsibility before being considered by Operations Board and CAFC. Any weaknesses in controls are risk assessed and appropriate action plans put in place.

## 9 Current significant risks

### Recruitment & retention

There is a risk that the continued restriction on recruitment, rewards and remuneration is causing the MRC to be uncompetitive and that the MRC will lose staff reducing its ability to deliver the research programmes.

### University units

There is a risk that the programme to transfer MRC units to universities does not deliver against the overall objective of enhancing excellent science in the units and opening up new scientific opportunities in partnership with the host universities. There is a programme board monitoring the overall implementation and a project board for each transfer. A separate assurance process has been established and details are included in the Assurance section. 7.16

### The Francis Crick Institute

There is a risk that there will not be a smooth and effective transition of MRC funded interests into this new collaborative institute.

### Commercial income

There is a risk that the MRC settlement at next spending review 15/16 does not reflect the expected decrease in commercial income available and that this would jeopardise the effectiveness of MRC's translational activities, as well as the general financial position of the MRC.

### UK Shared Business Services Ltd (SBS)

In addition to the control issues identified below there is a risk that the service received will not meet operational requirements due to expansion of the SBS's customer base. This risk is being managed via KPI's and SBS governance.

## 10 Progress since 2011/12 statement

In the Governance Statement for 2011/12 I referred to major concerns around the level of service received from RCUK SSC Ltd. A number of these concerns remain to be addressed as outlined below.

## 11 Significant issues

11.1 The reports from internal audit have identified a number of control issues within the SBS. These are:

- Sufficient documentation is not held to support review and update of Oracle Database security configuration settings;
- Network maintenance and access controls are weak;
- The control framework for the creation and maintenance of master data is weak;
- The Centre does not have an established and reliable management assurance framework;
- The Centre's IT Governance is undeveloped and an appropriate IT Security Strategy is not in place.

The MRC along with other research council's is seeking assurance from the SBS that these are being addressed

11.2 In April 2013 UK SBS Ltd informed me that it had been the subject of a number of instances of attempted fraud which had been identified and avoided, and were now subject to an investigation. (A fraudulent attempt on MRC was intercepted by SBS at this time through application of controls.) Follow up work by AASG concluded that the control framework for Master Data Maintenance had some identified risk exposures which were being addressed to reduce vulnerability. As such, the issues highlighted by these fraud attempts relate directly to the findings of recent internal audit reports on the controls and security framework operating within RCUK SSC Ltd (now UK SBS Ltd) which identified specific control weaknesses. In addition, these weaknesses had been identified by internal audit reports in earlier years and measures to address them had been recommended previously by AASG. I consider the level of risk of financial loss to which the MRC has been exposed to be low. However, I am concerned that the limited assurance provided by internal audit work with regard to some elements of the controls and security framework within RCUK SSC Ltd (now UK SBS Ltd) represents an area of risk for the MRC which I am not able to manage directly.

UK SBS Ltd has provided me with assurance that it is dealing with the matter appropriately, with regards to both the fraud attempts and necessary improvements to control frameworks, and that it is not aware of any fraud or suspected fraud affecting UK SBS Ltd or the Research Councils. In the coming year the MRC Audit Committee will review the outcomes of internal audit work by the AASG to check that improved control frameworks have been implemented and assess the evidence that they are adequate and effective.

11.3 In addition two MRC commissioned audits relating to SBS received limited assurance and have identified significant issues with:

- Human Resources Records Management within the SBS
- Starting Work Process – the vetting controls are not being consistently applied

11.4 From the audit programme as a whole, I am able to gain the necessary confidence and assurance on the workings of the audit framework. However, progress on the resulting actions needs to be accelerated.

## 12 Conclusion and looking forward

12.1 This governance statement represents the results of the review of effectiveness of the governance framework, risk management and internal control. I have considered the evidence provided and the advice of AASG and the CAFC. The conclusion of the review is sufficient to satisfy me that the operation of systems of governance, risk management, and control are appropriate for the MRC and its risk profile.

12.2 The MRC's operating model is changing significantly, as a result of the transfer of Units to university ownership and the transfer of the NIMR to the Francis Crick Institute. Looking forward, I will pay particular attention to ensuring that the MRC's governance and control framework are appropriate for the new operating model and I will continue to press for improvement from within the MRC and key partners on the other significant issues highlighted above.

Sir John Savill  
Accounting Officer/Chief Executive Officer  
Medical Research Council  
Date: 3 July 2013

# The certificate of the Comptroller and Auditor General to the Houses of Parliament

I certify that I have audited the financial statements of the Medical Research Council for the year ended 31 March 2013 under the Science and Technology Act 1965. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

## Respective responsibilities of the Medical Research Council, Accounting Officer and auditor

As explained more fully in the Statement of the Council and Chief Executive's Responsibilities, the Medical Research Council and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Science and Technology Act 1965. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

## Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Medical Research Council's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Medical Research Council; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Medical Research Council's affairs as at 31 March 2013 and of the net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Science and Technology Act 1965, and Secretary of State directions issued thereunder.

## Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Science and Technology Act 1965; and
- the information given in the Management Commentary part of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## Report

I have no observations to make on these financial statements.

Amyas C E Morse  
Comptroller and Auditor General  
5 July 2013

National Audit Office  
157-197 Buckingham Palace Road  
Victoria  
London  
SW1W 9SP

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2013

	Note	2012/13 £000	2011/12 £000 Restated
<b>Expenditure</b>			
Staff Costs	8a	155,501	158,306
Other Expenditure	10	150,043	164,667
Research Grants	11	243,118	255,721
Other Research	12	91,484	54,153
Postgraduate/training awards	13	79,483	86,028
International Subscriptions	14	17,847	18,258
Commercial Activities	15	49,911	44,891
Amortisation of intangible assets	16	19,860	27,127
Depreciation	17	21,235	20,381
Impairment of property, plant and equipment	17	16,896	0
Reversal of prior year impairment of property, plant and equipment	17	0	(2,221)
<b>Total expenditure</b>		<b>845,378</b>	<b>827,311</b>
<b>Income</b>			
Release of deferred income		0	(688)
Contributions from other government departments	4	(36,596)	(24,993)
Contributions and grants from other bodies	5	(64,779)	(51,977)
Commercial activities	15	(91,720)	(78,980)
Other Income	6	(3,351)	(4,551)
Sale of Hammersmith Imanet Limited		0	(3,451)
<b>Total income</b>		<b>(196,446)</b>	<b>(164,640)</b>
<b>Net Operating Expenditure</b>		<b>648,932</b>	<b>662,671</b>
Interest Receivable	7	(32)	(21)
Other finance income	9f	(16,695)	(13,115)
Unwinding of discount on provisions	23	119	176
Loss on Disposal of property, plant and equipment		912	23
Share of losses of joint venture	18	2,394	2,282
<b>Net expenditure for the year</b>		<b>635,630</b>	<b>652,016</b>
<b>Other Comprehensive Expenditure</b>			
Net (gain) on revaluation of property, plant and equipment	17	(1,459)	(6,287)
Net loss/(gain) on revaluation and addition of patents and licences	16	41,311	(43,997)
Net (gain)/loss on revaluation of investments	19	(1,333)	396
Actuarial loss on defined benefit pension plan	9b	61,822	60,384
<b>Total Comprehensive Net Expenditure for the year ended 31 March 2013</b>		<b>735,971</b>	<b>662,512</b>

The notes on page 92 through to page 129 form part of these accounts.

The restated amounts relating to Research grants and Other research have been detailed in notes 11 and 12.

## MRC Statement of Financial Position as at 31 March 2013

	Note	2013 £000	2012 £000
<b>Non-current Assets</b>			
Intangible assets	16	81,043	142,192
Property, plant and equipment	17	516,799	534,406
Investment in Joint Ventures	18	116,543	68,580
Investments	19	2,679	1,346
<b>Total</b>		<b>717,064</b>	<b>746,524</b>
<b>Current assets</b>			
Trade and other receivables	20	81,551	63,791
Cash and cash equivalents	21	57,989	81,195
<b>Total current assets</b>		<b>139,540</b>	<b>144,986</b>
<b>Total assets</b>		<b>856,604</b>	<b>891,510</b>
<b>Current liabilities</b>			
Trade and other payables	22	(263,792)	(275,669)
Provisions falling due within 1 year	23	(4,911)	(3,050)
<b>Total current liabilities</b>		<b>(268,703)</b>	<b>(278,719)</b>
<b>Total assets less current liabilities</b>		<b>587,901</b>	<b>612,791</b>
<b>Non current liabilities</b>			
Trade and other payables	22	(15,370)	(9,000)
Provisions for liabilities and charges	23	(11,342)	(11,466)
Pension (liability)/asset	9d	(34,027)	12,945
<b>Total non current liabilities</b>		<b>(60,739)</b>	<b>(7,521)</b>
<b>Assets less liabilities</b>		<b>527,162</b>	<b>605,270</b>
<b>Equity</b>			
Revaluation reserve		42,110	41,828
Intellectual property reserve		81,005	142,044
Pension Reserve		(34,027)	12,945
General reserve		438,074	408,453
<b>Total government funds</b>		<b>527,162</b>	<b>605,270</b>

The notes on page 92 through to page 129 form part of these accounts.

Sir John Savill  
Accounting Officer/Chief Executive Officer  
Medical Research Council  
Date: 3 July 2013

## MRC Statement of Cash Flows for the year ended 31 March 2013

	Notes	2012/13 £000	2011/12 £000 Restated
<b>Cash flow from operating activities</b>			
Net expenditure for the year	SoCNE	(635,630)	(652,016)
Depreciation charge	17	21,235	20,381
Amortisation charge	16	19,860	27,127
Capital grant of assets		0	16,624
Impairment of property, plant and equipment	17	16,896	0
Reversal of prior year impairments	17	0	(2,221)
Loss on disposal of property, plant and equipment		912	23
Share of losses of joint venture	18	2,394	2,282
Other non-cash items – IAS 19 pension costs		(13,187)	(2,202)
Release of deferred income		0	(688)
Increase in provision for liabilities and charges	23	1,737	8,011
Decrease in inventory		0	2,912
(Increase)/decrease in trade and other receivables	20	(17,760)	5,040
(Decrease) in trade and other payables	22	(5,507)	(5,285)
<b>Net cash outflow from operating activities</b>		<b>(609,050)</b>	<b>(580,012)</b>
<b>Cash flow from investing activities</b>			
Payments to the Department for Business, Innovation and Skills		0	(31)
Receipts from sale of Property, Plant and Equipment		266	46,687
Receipts from sale of Investments	18	10,318	0
Payments to acquire Property, Plant and Equipment	17	(20,243)	(89,849)
Payments to acquire investments in joint ventures	18	(60,675)	(46,974)
Payments to acquire software licences	16	(22)	0
<b>Net cash outflow from investing activities</b>		<b>(70,356)</b>	<b>(90,167)</b>
<b>Net cash outflow before financing</b>		<b>(679,406)</b>	<b>(670,179)</b>
<b>Cash flows from financing activities</b>			
Grant-in-aid received	3	655,900	697,538
Contribution for licence fees	3	300	300
<b>Net cash inflow from financing activities</b>		<b>656,200</b>	<b>697,838</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>21</b>	<b>(23,206)</b>	<b>27,659</b>
Cash and cash equivalents at the beginning of the period	21	81,195	53,536
Cash and cash equivalents at the end of the period	21	57,989	81,195

The notes on page 92 through to page 129 form part of these accounts.

The prior year cash flow figures have been restated to start with the Net expenditure for the year. This better reflects the requirements of the FrEM and has no effect on the net cash flow position.

## MRC Statement of Changes in Taxpayers' Equity for the year ended 31 March 2013

	Revaluation reserve £000	Intellectual Property reserve £000	Donated asset reserve £000	Pension reserve £000	General reserve £000	Total Government funds £000
Balance at 1 April 2011	41,069	124,994	731	67,579	332,634	567,007
Grants from Parent (note 3)					697,538	697,538
Contribution for licence fees (note 3)					300	300
Other capital funding received			(43)			(43)
Released to SoCNE			(688)			(688)
Addition of patents and licences		21,388				21,388
Net gain on revaluation of patents and licences		22,609				22,609
Net gain on revaluation of property, plant and equipment	6,297					6,297
Revaluation of investments	(286)					(286)
Actuarial loss in the pension scheme (note 9b)				(60,384)		(60,384)
Transfers between reserves	(5,252)	(26,947)		2,202	29,997	0
Contributions from other employers within the pension scheme				3,548		3,548
Net expenditure for the year					(652,016)	(652,016)
<b>At 31 March 2012</b>	<b>41,828</b>	<b>142,044</b>	<b>0</b>	<b>12,945</b>	<b>408,453</b>	<b>605,270</b>
Balance at 1 April 2012	41,828	142,044	0	12,945	408,453	605,270
Grants from Parent (note 3)					655,900	655,900
Contribution for licence fees (note 3)					300	300
Addition of patents and licences						0
Net gain on revaluation of patents and licences		(41,311)				(41,311)
Net gain on revaluation of property, plant and equipment	1,459					1,459
Revaluation of investments	1,333					1,333
Actuarial loss in the pension scheme (note 9b)				(61,822)		(61,822)
Transfers between reserves	(2,510)	(19,728)		13,187	9,051	0
Contributions from other employers within the pension scheme				1,663		1,663
Net expenditure for the year					(635,630)	(635,630)
<b>At 31 March 2013</b>	<b>42,110</b>	<b>81,005</b>	<b>0</b>	<b>(34,027)</b>	<b>438,074</b>	<b>527,162</b>

The notes on page 92 through to page 129 form part of these accounts.

# 1. Statement of Accounting Policies

## a. Basis of accounting

These financial statements have been prepared in accordance with a Direction issued by the Secretary of State for Business, Innovation and Skills (BIS) in pursuance of Section 2(2) of the Science and Technology Act 1965.

These financial statements have been prepared in accordance with the 2012-13 Government Financial Reporting Manual (FReM) issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the MRC for the purpose of giving a true and fair view has been selected. The particular policies adopted by the MRC are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

### **Adoption of New or Revised Standards Effective and Major FReM Changes for 2012/13**

All International Financial Reporting Standards, Interpretations and Amendments to published standards, effective at 31 March 2013, have been adopted in these financial statements, taking account the specific interpretations and adaptations included in the FReM.

IFRS 7 - Financial Instruments: Disclosures. Amendments to the disclosure requirements - the amendments introduce additional disclosures, designed to allow users of financial statements to improve their understanding of transfer transactions of financial assets, including understanding the possible effects of any risks that may remain with the entity that transferred the assets. The amendments also require additional disclosures if a disproportionate amount of transfer transactions are undertaken around the end of a reporting period.

These disclosures have been adopted in full but have no impact within these financial statements due to the nature of the MRC's business.

### **Effective for Future Financial Years**

The IASB and IFRIC issued certain standards and interpretations with an effective date after these financial statements. Where these changes are relevant to MRC's circumstances they are listed below and will be adopted at the effective date. They have not been adopted early and their adoption is not expected to have a material impact on MRC's reported income or net assets in the period of adoption.

IFRS 9 Financial Instruments: Classification and Measurement (effective for periods beginning on or after 1 January 2015) – IFRS 9 is a replacement for IAS 39 and introduced new requirements for the classification and measurement of financial assets, together with the elimination of two categories. Further proposals were introduced in October 2010 in respect of the derecognition of financial assets and liabilities. IFRS 9 is due to be expanded further with regard to how financial assets are measured and recorded. MRC will undertake an assessment of the impact of IFRS 9 once the full requirements are known.

IFRS 10 (Consolidated Financial Statements), 11 (Joint Arrangements), 12 (Disclosure of Interests in Other Entities), IAS 27 (Separate Financial Statements), IAS 28 (Investments in Associates and Joint Ventures) - (effective for periods beginning on or after 1 January 2013) - IASB have issued new and amended standards that affect the consolidation and reporting of subsidiaries, associates and joint ventures. The impact upon the consolidation boundary on MRC will be subject to review in future periods.

IFRS 10 introduces a single consolidation model for all entities based upon control, irrespective of the nature of the investee. Under IFRS 10 control is based upon whether an investor has:

- power over the investee
- exposure, or rights, to variable returns from its involvement with the investee, and
- the ability to use its power over the investee to affect the amount of the returns.

IFRS11 requires a party to a joint arrangement to determine the type of joint arrangement in which it is involved by assessing its rights and obligations and then account for those rights and obligations in accordance with that type of joint arrangement. The joint arrangement are either joint operations or joint ventures.

IFRS12 requires extensive disclosure of information that enables users of financial statements to evaluate the nature of, and risks associated with, interests in other entities and the effects of those interests on its financial position, financial performance and cash flows.

IAS27 now only deals with the requirements for separate financial statements. Consolidated financial statements are dealt with by IFRS10.

IAS28 prescribes the accounting treatment for investments in associates and sets out the requirements for the application of the equity method when accounting for investments in associates and joint ventures.

IFRS 13 – Fair Value Measurement – (effective for periods beginning on or after 1 January 2013) - IFRS 13 has been prepared to provide consistent guidance on fair value measurement for all relevant balances and transactions covered by IFRS (except where IFRS 13 explicitly states otherwise). The application of IFRS 13 is subject to further review by HM Treasury and the other Relevant Authorities before due process consultation.

IAS1 - Presentation of Financial Statements - (effective for periods beginning on or after 1 July 2012) - IAS1 has been amended to revise the way other comprehensive income is presented. It is anticipated that this amendment will have no impact upon MRC.

IAS16 - Property Plant and Equipment - (effective for periods beginning on or after 1 January 2013) - IAS16 has been amended with regard to the classification of servicing equipment. Spare parts, standby equipment and servicing equipment should be classified as property, plant and equipment when they meet the definition of property, plant and equipment in IAS16. This amendment is not expected to affect MRC.

## b. Accounting convention

These financial statements are prepared under the historical cost convention, modified by the revaluation of non-current assets, and, where material, current asset investments to fair value as determined by the relevant accounting standard. This is in accordance with the 2012-13 FReM issued by Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context.

These financial statements are presented in Sterling, the MRC's functional currency and all amounts have been rounded to the nearest thousands.

### **c. Changes in accounting policy**

There are no changes in accounting policy in the 2012/13 financial year.

### **d. Consolidation**

UK Biobank Limited has not been consolidated within these financial statements as it is not considered to be subsidiary of MRC. As MRC is one of nine trustees that manage Biobank, the MRC is not able to exert any control and so the company is not consolidated in the MRC Account.

### **e. Investment in Joint Ventures**

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

The MRC has two joint venture investments: The Francis Crick Institute Limited (formerly UKCMRI Limited), to be known as the Francis Crick Institute; and Imanova Limited (formerly MTIC Limited) (known as Immanova).

Investments in Joint Venture are accounted for using the equity method, unless they are not yet fully operational, in which case they are valued at the cost to MRC of the development (as represented by assets under construction or the purchase of shares). This is deemed equivalent to fair value of the investment in the development phase. Impairment is considered at each year end, taking into account the ongoing service potential of the assets held.

Both Francis Crick Institute and Immanova are accounted for at cost to MRC.

### **f. Investments**

Listed investments are shown at market value. Unrealised gains or losses arising as a result are included in the Statement of Change in Taxpayers Equity in revaluation reserve. Realised gains or losses are included in the Statement of Comprehensive Net Expenditure. Any investments the Directors intend to dispose within 12 months are included in current assets.

Shareholdings of unlisted investments are shown as number of shares owned and disclosed in the investments note.

## g. Property, Plant and Equipment and depreciation

Expenditure on property, plant and equipment includes the purchase of land, buildings and equipment costing £10,000 or more. Property, plant and equipment are included at valuation, being its fair value at the date of revaluation less any subsequent accumulated depreciation and impairment losses if any. Equipment, excluding computers and software, is revalued annually using appropriate indices. Land and buildings are professionally revalued every five years and in the intervening period relevant indices are used. The basis of valuation for land and buildings is open market value for existing use where this can be established. However, because of the specialised nature of the MRC's properties, most valuations are on a depreciated replacement cost basis. Any surplus on revaluation is taken to a revaluation reserve. Impairments in value are charged to the Statement of Consolidated Net Expenditure in the year in which they arise.

Assets under construction are valued at cost, including directly attributable in-house costs required to bring the asset into working condition for its intended use.

Increased depreciation charges arising from revaluations are matched by transfers from the revaluation reserve to the general reserve.

On disposal of a revalued asset, the resulting element of the revaluation reserve that is realised is transferred directly to the general reserve.

Provision is made for depreciation on all property, plant and equipment at rates calculated to write off each asset evenly to its residual value over its expected useful life, as follows:

Freehold land	Not depreciated
Leasehold land	Up to 60 years (subject to length of lease)
Freehold buildings	Up to 60 years
Leasehold buildings	Up to 60 years (subject to length of lease)
Major facilities (items costing over £50,000)	11 years
Other scientific equipment	5 to 15 years
Computers	3 years
Engineering, office and catering equipment	8 years
Motor vehicles	5 years
Assets under construction	Not depreciated until brought into use

Depreciation is charged from the date the property, plant and equipment are available for use.

## h. Intangible assets and amortisation

The values of patents, licences and royalties held by the MRC are capitalised as intangible assets based on their expected income streams. Income from these patents, licences and royalties is generated from agreements between the MRC and companies engaged in the commercial exploitation of MRC inventions and research. The values of these intangible assets are amortised over the period these agreements are in force, including a full year's amortisation charge in the year of valuation. For most cases this is

between seven and fifteen years, and such assets are not capitalised until the income stream is reasonably certain. Income streams are reviewed each year. Any surplus or deficit on valuations following such reviews is taken to the intellectual property reserve.

Software costing £10,000 or more are included in intangibles and are stated at fair value and amortised from the date they are available for use over their useful lives estimated at three years.

### **i. Impairment**

The carrying amounts of the MRC's assets are reviewed at each statement of financial position date to determine whether there is any indication of impairment: a financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows of that asset. If any such indication exists, the asset's recoverable amount is estimated.

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Net Expenditure.

### **j. Non-current assets held for resale**

Non-current assets held for sale are valued at the lower of carrying amount and fair value less costs to sell and are not depreciated.

Non-current assets are classified as held for sale if their carrying value will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable, the asset is available for immediate sale in its present condition, Management are committed to the sale and completion is expected within one year from the date of the classification.

### **k. Ownership of equipment purchased with MRC research grants**

Equipment purchased by an institution with research grant funds supplied by the MRC belongs to the institution and is not included in MRC's property, plant and equipment. Through the Conditions of Grant applied to funded institutions, the MRC reserves the right to determine the disposal of such equipment and of the proceeds of any sale. Once the research has been completed the institution is free to use the equipment without reference to the Council.

## **l. Decommissioning costs**

Decommissioning costs are recognised in full as soon as the obligation exists. When the obligation incurred gives access to future benefits a corresponding asset is set up in the Statement of Financial Position at the same time with depreciation being charged to the Statement of Comprehensive Net Expenditure over its useful economic life.

## **m. Grant-in-aid**

Grant-in-aid is treated as financing, rather than income and is credited to general reserve in the year in which it is received.

## **n. Income**

MRC derives its income from a number of sources. These include income from Commercial Activities, contributions from other government bodies and contributions and grants from other bodies and other income. Commercial activities include royalties from licence agreements relating to intellectual property. It also receives income from government departments and other bodies which help co-fund research both of a collaborative and non-collaborative nature. Other income is derived from the sale of laboratory and library services, as well as proceeds from the sales of radio isotopes and other items. All income is shown net of trade discount, Value Added Tax and other taxes. Income is recognised in accordance with IAS 18. See note aa for details of deferred income.

## **o. Research and development**

As a research organisation, all of the MRC's research and development expenditure is charged to the Statement of Comprehensive Net Expenditure when it is incurred.

## **p. Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and deposits which are repayable on demand.

## q. Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are translated at the rates of exchange ruling at the statement of financial position date. Transactions in foreign currencies are recorded at the rate ruling at the time of the transaction. All exchange differences are taken to the Statement of Comprehensive Net Expenditure.

## r. Value Added Tax (VAT)

As the MRC is partially exempt for VAT purposes, all expenditure and non current asset purchases are shown inclusive of VAT where applicable. Residual input tax reclaimable by the application of the partial exemption formula is taken to the Statement of Comprehensive Net Expenditure as a reduction of expenditure.

## s. Pension costs

Employer superannuation costs are based on an actuarially derived calculation under IAS 19. See note 9. The defined benefit plan requires contributions to be made to separately administered funds. The cost of providing benefits under the defined benefit plan is determined using the projected unit credit actuarial valuation method.

Actuarial gains and losses are recognised in full as income or expense in the Comprehensive Statement of Net Expenditure.

The past service cost is recognised as an expense on a straight-line basis over the average period until the benefits become vested. If the benefits are already vested immediately following the introduction of, or changes to, a pension plan, past service cost is recognised immediately.

The defined benefit liability is the aggregate of the present value of the defined benefit obligation and actuarial gains and losses not recognised reduced by past service cost not yet recognised and the fair value of plan assets out of which the obligations are to be settled directly. If such aggregate is negative, the asset is measured at the lower of such aggregate or the aggregate of cumulative unrecognised net actuarial losses and past service cost and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

## t. Early retirement costs

Compensation payments are provided for in the Statement of Comprehensive Net Expenditure. Obligations relating to those former members of staff aged 50 or over are provided for until their normal date of retirement.

Unwinding of discount: the provision for early retirement costs is discounted at 2.35 per cent (2011/12 2.9 per cent). The unwinding of the discount has been charged to the Statement of Comprehensive Net Expenditure.

## u. Operating leases

Operating lease charges are recognised in the Statement of Comprehensive Net Expenditure on a straight line basis over the term of the lease.

## v. Provisions

Provisions have been made in accordance with IAS 37 for early retirement and decommissioning costs. Provisions are recognised when it is probable that MRC will be required to settle a present obligation and a reliable estimate can be made of that obligation. The obligation is normally the amount that MRC would rationally pay to settle the obligation at the statement of financial position date or to transfer it to a third party at that time.

This may require estimating the future cash flows in current-year prices (i.e. at the price level prevailing in and, where the time value of money is material, discounting them at the standard public sector real rate set by HM Treasury).

## w. Derivatives and other financial instruments

Due to the non-trading nature of its activities and the way in which the MRC is financed, the MRC is not exposed to the degree of financial risk faced by non-public sector entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which IAS 32, 39 and IFRS 7 mainly apply. The MRC has very limited powers to borrow or invest surplus funds and financial assets and liabilities are generated by day to day operational activities and are not held to change the risks facing the MRC in undertaking its activities.

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollective amounts. Provision is made when there is objective evidence that the MRC will not be able to collect certain debts.

Bad debts are written off when identified. The amount of provision is the difference between the carrying amount and the recoverable amount and is recognised in the Statement of Comprehensive Net Expenditure.

Trade and other payables are recognised in the period in which related money, goods, or services are received or when a legally enforceable claim against the MRC is established or when the corresponding assets or expenses are recognised. Receivables and payables which mature or become payable within 12 months from the statement of financial position date have been omitted from the currency profile.

## x. Grants payable

Research grants and fellowships are recognised in line with a schedule of pre-agreed payment profiles, which include matching considerations, over the period of the grant duration and to the period which they relate.

Where the terms and conditions do not include specific repayment conditions if the work is not done then obligations are recognised in full.

## y. Employee benefits

Short term employee benefits are recognised by MRC when an employee has rendered service in exchange for those benefits. Included in the financial statements is an accrual for the outstanding paid holiday entitlement at 31 March 2013 on a non-discounted basis.

Long term benefits are covered by the Pension scheme which is detailed in Note 9.

## z. Operating segments

An operating segment is a component of an entity that:

- engages in activities from which it may earn revenues or incur expenses (including revenues and expenses incurred internally),
- whose operating results are regularly reviewed by the entities' 'chief operating decision maker' to make decisions about resource allocation to the segment and to assess its performance, and
- for which discrete financial information is available. Segments are reported if they exceed 10% of the thresholds of revenue, net expenditure level or assets.

## aa. Significant estimation uncertainty

The preparation of the financial statements requires management to make estimates and assumptions that affect the application of policies and reported amounts. Estimates are continually evaluated and are based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances.

Actual results may differ from these estimates. The estimates and assumptions which have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities are discussed below.

**Deferred Income**

The MRC receives funding for mainly collaborative projects to support the MRC's research. The majority of such funding is received from the UK public sector, medical charities, and from overseas via the European Commission (EC). Some of the funding may involve payment for the collaboration a number of years in advance of the accounting period to which it relates; such as is common with the EC. Where there is a variance between work done in the accounting period and received funding, income will be deferred. When there is both a) a condition which makes the grant repayable or returnable and b) a variance between the work done in the accounting period and received funding.

**Pension Costs**

The determination of the pension cost and defined benefit obligation (liabilities) of the employer's pension scheme depends on the selection of certain assumptions which include the discount rate, inflation rate, salary growth, mortality rates and expected rate of return. See Note 9 for further details.

**Property, Plant and Equipment**

Property, plant and equipment lives have been estimated by management. Much of the asset stock is of a specialised nature, scientific equipment and buildings; lives have been based on management's experience of productive use and these are sometimes at odds with the actual useful lives with the assets. Where there are material differences in the estimated lives of the assets, the assets are re-lived and accounted for accordingly.

**ab. Judgements made in the process of applying accounting policies**

The MRC's significant accounting policies are stated above. Not all of these policies require management to make difficult subjective or complex judgements. Those that follow are intended to provide an understanding of the policies that management consider critical because of the level of complexity and judgement involved in their application and their impact on the financial statements.

**Intangible assets**

Based on future discounted royalty income streams, estimates are subject to business uncertainty in terms of sales and the fluctuation of exchange rates, the most significant being sales in US dollars. Significant judgement has been required in assessing the impact of these variables. The policy has been judged to be compliant with IAS 38.

**Provisions for liabilities and charges**

Estimates are subject to uncertainty regarding timing or amounts of obligations (legal or constructive) due by the MRC. Significant judgements are made regarding probability and measurement of obligations. These include early retirement, disposal of (sealed) radioactive sources requiring the removal of radioactive substances by specialist suppliers, and dilapidations.

**Impairment of assets**

Property, plant and equipment are included at fair value. Management assess whether assets retain their recoverable amount or whether the asset is impaired, suffering a permanent diminution in value. Judgements are made on obsolescence, damage and loss resulting from normal business operations, and changes in value as part of the annual review of property, plant and equipment. This includes assets of significant value brought into use for the first time. Further details are given in Note 17.

Where those assets concern investments in joint ventures, consideration has also been given to the impact on service potential as a means of determining valuation detailed in Note 18.

## ac. Going concern

On 20 December 2010 David Willetts, Minister for Universities and Science, announced the MRC's financial allocations for 2011-12 through to 2014-15 as part of the Comprehensive Spending Review (CSR). On the basis of this statement, and subsequent discussions with BIS, MRC has no reason to believe that future funding will not be forthcoming. Therefore the accounts are produced on a going concern basis.

## 2. Segmental information

### Analysis of MRC Net Expenditure by Business Segments

	Intramural 2012/13 £000	Extramural 2012/13 £000	Corporate 2012/13 £000	Technology Transfer 2012/13 £000	Total 2012/13 £000
<b>Expenditure</b>					
Staff costs	134,196	3,379	17,926	0	155,501
Other expenditure	123,144	3,740	23,159	0	150,043
Research grants	0	243,118	0	0	243,118
Other research	0	91,484	0	0	91,484
Postgraduate/training awards	8,201	71,282	0	0	79,483
International subscriptions	0	17,847	0	0	17,847
Commercial activities	0	0	0	49,911	49,911
Amortisation of intangible assets	132	0	0	19,728	19,860
Depreciation of property, plant and equipment	21,235	0	0	0	21,235
Impairment of property, plant and equipment	16,896	0	0	0	16,896
<b>Total operating expenditure</b>	<b>303,804</b>	<b>430,850</b>	<b>41,085</b>	<b>69,639</b>	<b>845,378</b>
<b>Income</b>					
Release of deferred income	0	0	0	0	0
Contributions from other government departments	(6,689)	(29,907)	0	0	(36,596)
Contributions and grants from other bodies	(39,020)	(25,801)	42	0	(64,779)
Commercial activities	0	0	0	(91,720)	(91,720)
Other income	(4,340)	13	976	0	(3,351)
<b>Total operating income</b>	<b>(50,049)</b>	<b>(55,695)</b>	<b>1,018</b>	<b>(91,720)</b>	<b>(196,446)</b>
<b>Net operating expenditure</b>	<b>253,755</b>	<b>375,155</b>	<b>42,103</b>	<b>(22,081)</b>	<b>648,932</b>

	Intramural 2011/12 £000	Extramural 2011/12 £000	Corporate 2011/12 £000	Technology Transfer 2011/12 £000	Total 2011/12 £000
<b>Expenditure</b>		<b>Restated</b>			<b>Restated</b>
Staff costs	129,468	1,622	27,216	0	158,306
Other expenditure	122,129	6,148	36,390	0	164,667
Research grants	2	255,706	13	0	255,721
Other research	0	54,143	10	0	54,153
Postgraduate/training awards	9,343	76,664	21	0	86,028
International subscriptions	0	18,258	0	0	18,258
Commercial activities	0	0	0	44,891	44,891
Amortisation of intangible assets	181	0	0	26,946	27,127
Depreciation of property, plant and equipment	19,965	0	416	0	20,381
Reversal of prior year impairment of property, plant and equipment	0	0	(2,221)	0	(2,221)
<b>Total operating expenditure</b>	<b>281,088</b>	<b>412,541</b>	<b>61,845</b>	<b>71,837</b>	<b>827,311</b>
<b>Income</b>					
Release of deferred income	(116)	0	(572)	0	(688)
Contributions from other government departments	(7,653)	(17,340)	0	0	(24,993)
Contributions and grants from other bodies	(41,727)	(10,208)	(42)	0	(51,977)
Commercial activities	0	0	0	(78,980)	(78,980)
Other income	(5,294)	0	743	0	(4,551)
Sale of HIL	0	0	(3,451)	0	(3,451)
<b>Total operating income</b>	<b>(54,790)</b>	<b>(27,548)</b>	<b>(3,322)</b>	<b>(78,980)</b>	<b>(164,640)</b>
<b>Net operating expenditure</b>	<b>226,298</b>	<b>384,993</b>	<b>58,523</b>	<b>(7,143)</b>	<b>662,671</b>

The restated amounts relating to Research grants and Other research have been detailed in notes 11 and 12.

### 3. Parliamentary grant-in-aid and contribution to licence fees

The grant-in-aid and contributions in respect of (Animal) Licence Fees of £300,000 are provided by BIS for the financial year 2012/13 (2011/12 £300,000). Grant-in-aid and animal licence fees received are treated as financing and credited directly to reserves.

	2012/13 £000	2011/12 £000
Grant allocation received and credited to general reserve	656,200	697,838

### 4. Contributions from other government departments

	2012/13 £000	2011/12 £000
		<b>Restated</b>
Department of Health & NHS Executive	15,475	6,865
Department for International Development	17,902	13,151
Foods Standards Agency	188	3,256
Scottish Government Health Directorates	1,401	506
Other	1,630	1,215
<b>Total</b>	<b>36,596</b>	<b>24,993</b>

The figure of £1,036k included under NHS Executive for 2011/12 has been included in the Department of Health and NHS Executive total

### 5. Contributions and grants from other bodies

	2012/13 £000	2011/12 £000
		<b>Restated</b>
Other research councils	15,739	9,820
Charities	29,025	25,600
Collaboration with industry	1,333	3,557
European Commission	9,885	8,122
Health Authorities and NHS Trusts	975	1,222
Universities	6,362	3,127
Other	1,460	529
<b>Total</b>	<b>64,779</b>	<b>51,977</b>

The figure of £18k included under Human Frontiers Science Program last year has been included within Other total.

## 6. Other income

	2012/13 £000	2011/12 £000
Sales and other income	3,351	4,551

The council's sales income is derived from laboratory and library services, as well as proceeds from sales of radioisotopes and other items.

## 7. Interest receivable

	2012/13 £000	2011/12 £000
Interest earned on the foreign currency accounts	19	3
Interest earned on the Sterling bank balances	13	18
<b>Total</b>	<b>32</b>	<b>21</b>

## 8. Staff numbers and related costs

### a. Staff costs

	2012/13 £000	2011/12 £000
		<b>Restated</b>
Salaries and wages	130,412	127,476
Social security costs	9,607	13,741
Other pension costs (note 9e)	19,475	20,833
Non-permanent staff	2,328	2,841
Council and committee honoraria	363	415
Early retirement costs	207	(116)
<b>Gross staff costs</b>	<b>162,392</b>	<b>165,190</b>
Less commercial activities (note 15)	(6,891)	(6,884)
<b>Staff costs for general activities</b>	<b>155,501</b>	<b>158,306</b>

Secondee costs previously included in non-permanent staff costs has been reclassified to salaries and wages, and the prior year costs, totalling £1,101k, have been restated accordingly.

## b. Staff numbers

The average number of full time equivalent employees during the year was made up as follows

	2012/13	2011/12
Science	1,256	1,225
Research project support	728	780
Infrastructure and Administration	437	478
Technical services	572	589
Locally employed staff (overseas)	1,274	1,226
<b>Total</b>	<b>4,267</b>	<b>4,298</b>

## c. Reporting of Civil Service and other comprehensive schemes - exit packages

Exit packages cost band	Number of compulsory redundancies	Number of departures agreed	Total number of exit packages by cost band
	2012/13 (2011/12)	2012/13 (2011/12)	2012/13 (2011/12)
<£10k	9(16)	3(13)	12(29)
£10k-£25k	8(15)	6(3)	14(18)
£25k-£50k	8(7)	5(0)	13(7)
£50k-£100k	2(2)	2(2)	4(4)
£100k-£150k	0(4)	0(0)	0(4)
£150k-£200k	0(0)	0(0)	0(0)
>£200k	0(0)	0(0)	0(0)
<b>Total number of exit packages</b>	<b>27(44)</b>	<b>16(18)</b>	<b>43(62)</b>
<b>Total resource cost (£000)</b>	<b>£596 (£1,168)</b>	<b>£396 (£232)</b>	<b>£992 (£1,400)</b>

## 9. MRC Pension Scheme

The MRC operates a funded pension scheme (MRCPS) providing benefits based on service and final pensionable pay at the normal retirement age of 65. The scheme is a defined benefit scheme that prepares its own scheme statements. Benefits accrue at the rate of 1/80th of pensionable salary for each year of service. In addition a lump sum equivalent to three years' pension is payable on retirement. Members pay contributions of between 6.0% and 6.5% pensionable earnings to the Scheme. In addition to the principal section, the supplementary benefits section exists to provide additional benefits in the event of ill-health retirement or death-in-service. It is solely funded by members' contributions.

The required MRCPS contribution rate is assessed every three years in accordance with advice of the Government Actuary; the present MRCPS employers' contribution rate is 13 per cent. The latest actuarial assessment of the MRCPS was at 31 December 2010 at which the market value of the assets of the MRCPS was £884m (2007 = £869m). The actuarial value of the assets was sufficient to cover 110 per cent of the benefits that had accrued to members after allowing for expected future increases in

earnings. Triennial valuations are conducted under the Pensions Act 2004 on a scheme specific funding basis. The scheme is 110% funded on an ongoing basis.

During the year £4m was paid into the MRCPS. This was to satisfy obligations under Section 75 of the 1995 Pensions Act in respect of liabilities arising as a result of the transfer of MRC employees to the Weatherall Institute of Molecular Medicine in Oxford University in April 2010.

The valuation used for IAS 19 disclosures has been based on the data for the most recent actuarial valuations as at 31 December 2010, and updated to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at 31 March 2013. The mortality assumptions included within the figures are that male (female) members who retire at typical ages will live to approximately age 88 (90).

#### a. Financial assumptions used to calculate scheme liabilities

	2012/13 %	2011/12 %
Rate of increase on pensionable salaries	3.25	3.55
Rate of increase on pension payments	2.25	2.05
Discount rate	4.06	4.63
Inflation rate	2.25	2.05
Expected return on equities	4.06	6.8
Expected return on bonds	4.06	3.09
Expected return on overall fund	4.06	6.43

#### b. Analysis of actuarial loss

	2012/13 £000	2011/12 £000
Actual return less expected return on pension scheme assets	60,979	(37,126)
Experience loss arising on the scheme liabilities	(17,215)	(2,908)
Changes in demographic assumption	5,349	11,694
Changes in financial assumptions	(110,935)	(32,044)
<b>Actuarial (loss)</b>	<b>(61,822)</b>	<b>(60,384)</b>

c. Analysis of actuarial gain expressed as a percentage of the scheme's assets and liabilities at the statement of financial position date

	2012/13 %	2011/12 %	2010/11 %	2009/10 %	2008/09 %
Actual return less expected return on pension scheme assets	6.06	-4.12	1.02	23.29	-39.67
Experience (loss)/gain arising on the scheme liabilities	1.65	0.33	-3.98	1.9	-8.92
Actuarial (loss)/gain	-5.94	-6.81	-7.24	10.15	-22.28

d. The assets and liabilities in the scheme

	2012/13 £000	2011/12 £000	2010/11 £000	2009/10 £000	2008/09 £000
<b>Assets</b>					
- Equities and property	877,449	787,429	778,855	747,898	524,508
- Bonds and cash	128,944	112,708	121,669	94,109	83,878
	<b>1,006,393</b>	<b>900,137</b>	<b>900,524</b>	<b>842,007</b>	<b>608,386</b>
<b>Actuarial value of liability</b>	(1,040,420)	(887,192)	(832,945)	(780,084)	(623,391)
<b>(Deficit)/surplus in scheme</b>	<b>(34,027)</b>	<b>12,945</b>	<b>67,579</b>	<b>61,923</b>	<b>(15,005)</b>

e. The movements in the scheme surplus

	2012/13 £000	2011/12 £000
<b>Surplus at the start of the year</b>	<b>12,945</b>	<b>67,579</b>
Current service costs net of employee contributions (note 8a)	(19,475)	(20,833)
Employer contributions	17,630	13,468
Other finance income (note 9f)	16,695	13,115
Actuarial (loss) (note 9b)	(61,822)	(60,384)
<b>(Deficit)/surplus at end of year</b>	<b>(34,027)</b>	<b>12,945</b>

f. Other finance income

	2012/13 £000	2011/12 £000
Expected return on pension scheme assets	57,492	58,290
Interest on pension scheme liabilities	(40,797)	(45,175)
<b>Net return – other finance income (Note 9e)</b>	<b>16,695</b>	<b>13,115</b>

## 10. Other expenditure

	2012/13 £000	2011/12 £000
		Restated
Rent and rates	5,094	7,475
Utilities	8,742	7,077
Maintenance and cleaning	16,476	13,088
Office supplies, printing and stationery	2,080	2,777
Laboratory supplies	36,322	41,962
Management consultancy and other professional fees	10,173	16,915
RCUK activities	10,458	10,205
Postage and telephone	2,161	2,498
Audit fee	185	185
Travel, subsistence and hospitality	7,723	7,853
Computing	7,143	7,474
Equipment servicing	5,833	5,447
Minor equipment	11,087	10,619
Miscellaneous	14,681	15,655
Transport costs	640	753
Exchange rate losses/(gains)	491	(466)
Field work – Clinical services	4,647	3,196
Biomedical services and licence fees	3,278	2,752
Decommissioning costs	2,829	9,202
<b>Total</b>	<b>150,043</b>	<b>164,667</b>

To highlight the larger elements of expenditure and to be consistent with current year presentation, expenditure incurred for the following services have been reclassified in the comparatives for prior year:

- Biomedical services and licence fees, amounting to £2,752k and classified as laboratory supplies in previous year, is now shown separately.
- Field work - Clinical services, amounting to £3,196k and classified as miscellaneous expenditure in previous year, is now shown separately.
- Scanning services, totalling £130k, is now included under miscellaneous expenses.
- Laboratory supplies, totalling £160k, is now included under miscellaneous expenses.

There is no change to the prior year expenditure total.

## 11. Research grants

	2012/13 £000	2011/12 £000
		Restated
Research Grants	158,635	173,531
Programme Grants	41,594	40,693
Centre Grants	16,050	17,019
Trial Grant	17,098	16,277
New Investigator Research Grant	9,147	8,110
Other	594	91
<b>Total</b>	<b>243,118</b>	<b>255,721</b>

To better reflect the nature of the grants awarded and in consistency with current year presentation, research grants in the previous year have been reclassified as follows:

- Research grants, totalling £40,693k, have been reclassified as programme grants
- Collaboration grants (£4,348k), discipline hopping awards (£841k) and link award (£112k) have been reclassified as research grants
- Research grants, totalling £11,913k, has been reclassified under other research grants to university units (note 12)

The prior year grant research total is £11,913k less than previously disclosed with a resultant increase in other grant expenditure.

## 12. Other research

	2012/13 £000	2011/12 £000
		Restated
International Health Research Resource	30,172	4,254
University Units	25,963	28,537
Phenome Centre	6,875	0
European & Developing Countries - Clinical Trials Partnership	14,000	0
Translational Imaging capacity	863	14,666
Stem Cell - Human Pluripotent	1,500	0
Respiratory Health - Common & Rare Genetic Variants	3,245	0
Neurodegenerative Diseases Initiative	738	1,836
Other	8,128	4,860
<b>Total</b>	<b>91,484</b>	<b>54,153</b>

As other research expenditure is becoming more significant and in consistency with current year presentation, contributions to special research programme in previous year, totalling £42,240k, have been re-analysed as shown above. In addition, research grants (note 11), totalling £11,913k, has been reclassified as other research grants awarded to university units.

The prior year other research total is £11,913k more than previously disclosed with a resultant decreases in research grant expenditure.

### 13. Postgraduate/training awards

	2012/13 £000	2011/12 £000
Research studentships/advanced course studentships	35,123	32,059
Post-doctoral fellowships	44,360	53,969
<b>Total</b>	<b>79,483</b>	<b>86,028</b>

### 14. International subscriptions

	2012/13 £000	2011/12 £000
International Agency for Research on Cancer	892	905
European Molecular Biology Conference	2,261	2,298
European Molecular Biology Laboratory	13,524	13,856
Human Frontier Science Program	1,035	1,000
European Science Foundation	114	157
Sciences Europe	21	42
<b>Total</b>	<b>17,847</b>	<b>18,258</b>

### 15. Commercial activities

	2012/13 £000	2011/12 £000
<b>Income during the year</b>	<b>91,720</b>	<b>78,980</b>
Expenditure during the year:		
Staff costs (note 8a)	(6,891)	(6,884)
Other expenditure	(43,020)	(38,007)
<b>Total expenditure</b>	<b>(49,911)</b>	<b>(44,891)</b>
<b>Net income for the year</b>	<b>41,809</b>	<b>34,089</b>

The council requires a financial return from successful commercial exploitation of original MRC research. Such income arises from royalties, equity stakes and other forms of receipts agreements as a result of licencing council inventions and know-how.

Income and expenditure relating to commercial activities is credited and charged to the Statement of Comprehensive Net Expenditure, with its cumulative balance represented within the general reserve on the Statement of Financial Position.

## 16 Intangible assets

MRC	Patents & Licences £000	Software Licences £000	Total £000
<b>At cost or valuation</b>			
At 1 April 2012	263,014	2,348	265,362
Additions	0	22	22
Disposals	0	(150)	(150)
Revaluation	(41,311)	0	(41,311)
<b>At 31 March 2013</b>	<b>221,703</b>	<b>2,220</b>	<b>223,923</b>

### Amortisation

At 1 April 2012	(120,970)	(2,200)	(123,170)
Charge for the year	(19,728)	(132)	(19,860)
Disposals	0	150	150
<b>At 31 March 2013</b>	<b>(140,698)</b>	<b>(2,182)</b>	<b>(142,880)</b>

### Net Book Value

<b>At 31 March 2013</b>	<b>81,005</b>	<b>38</b>	<b>81,043</b>
At 1 April 2012	142,044	148	142,192

MRC	Patents & Licences £000	Software Licences £000	Total £000
<b>At cost or valuation</b>			
At 1 April 2011	219,017	2,609	221,626
Additions	21,388	2	21,390
Disposals	0	(263)	(263)
Revaluation	22,609	-	22,609
<b>At 31 March 2012</b>	<b>263,014</b>	<b>2,348</b>	<b>265,362</b>

### Amortisation

At 1 April 2011	(94,023)	(2,263)	(96,286)
Charge for the year	(26,947)	(180)	(27,127)
Disposals	0	243	243
<b>At 31 March 2012</b>	<b>(120,970)</b>	<b>(2,200)</b>	<b>(123,170)</b>

### Net Book Value

<b>At 31 March 2012</b>	<b>142,044</b>	<b>148</b>	<b>142,192</b>
At 1 April 2011	124,994	346	125,340

## 17. Property plant & equipment

MRC	Land and Buildings £000	Assets under Construction £000	Equipment and Vehicles £000	Total £000
<b>Cost or valuation</b>				
<b>At 1 April 2012</b>	<b>383,093</b>	<b>274,438</b>	<b>223,216</b>	<b>880,747</b>
Additions	575	5,915	13,753	20,243
Disposals	(1,559)	0	(12,298)	(13,857)
Transfers	263,653	(264,368)	715	0
Revaluation	(4,108)	0	5,025	917
Impairment	(16,896)	0	0	(16,896)
<b>At 31 March 2013</b>	<b>624,758</b>	<b>15,985</b>	<b>230,411</b>	<b>871,154</b>

### Depreciation

<b>At 1 April 2012</b>	<b>(201,584)</b>	<b>0</b>	<b>(144,757)</b>	<b>(346,341)</b>
Provided during the year	(6,576)	0	(14,659)	(21,235)
Disposals	1,478	0	11,199	12,677
Revaluation	3,641	0	(3,097)	544
Impairment	0	0	0	0
<b>At 31 March 2013</b>	<b>(203,041)</b>	<b>0</b>	<b>(151,314)</b>	<b>(354,355)</b>

### Net book value

<b>At 31 March 2013</b>	<b>421,717</b>	<b>15,985</b>	<b>79,097</b>	<b>516,799</b>
At 1 April 2012	181,509	274,438	78,459	534,406

The net book value of land and buildings comprises:	2013 £000	2012 £000
Freehold	99,796	52,370
Long leasehold	316,506	124,768
Short leasehold	5,365	4,371

The last 5 year external valuation was performed in 2008-09 by Powis Hughes, Chartered Surveyors. This covered all PPE assets other than those located in the research unit in Uganda. The professional valuation of these Ugandan assets planned for 2012-13 did not take place. However, we have an interim valuation of Ugandan building assets dated November 2011. This indicates an impairment of £165k, which due to its small size has not been adjusted for in the accounts. The Uganda assets will be included within the next five yearly professional revaluation exercise to be undertaken in 2013/14.

All valuations were carried out in accordance with RICS Valuation Manual, as amended April 2010, known as the "Red Book".

The National Temperance Hospital Site has been actively marketed by MRC but a sale is not expected within the next twelve months and so has not been classified as an Asset held for sale. The site is included within Land and Buildings at its latest external valuation of £28.5m

Property, plant and equipment include £85,874,317 (2012 - £36,912,822) in respect of freehold land which is not depreciated.

The MRC's interest in land at Brill Place, Camden, London (site of the Francis Crick Institute Institute) was transferred from AUC to Land and Buildings during the year as it was felt it was more appropriate. The interest was valued at £49.5m as at 14/11/2012 by Powis Hughes.

Two former assets under construction were completed during 2012-13 and transferred from AUC to Land & Building. These were the Laboratory of Molecular Biology (2011-2012 £202.5m) and L Block (2011-12 £8.6M). These buildings were both valued using the depreciated replacement cost (DRC) method by Powis Hughes as at 31 March 2013, who valued MRC's interest in LMB at £191.6m and L Block at £9m. The resultant impairments have been charged to the Statement of Comprehensive Net expenditure in full. Associated amounts within revaluation reserve have been transferred to general reserve in year.

DRC is a valuation method for the estimated replacement cost of a modern equivalent asset, based on costs at valuation date. The valuer is required to cost a simple substitute replacement, assuming a simple single contract with none of the delay, revisions or contract variations that may typically occur in a large building project. Actual LMB construction costs of £13.2m were excluded from the valuation on the basis that they would not have been necessary for a simple substitute replacement based on today's prices. These included £6.9m of post novation design fees of value engineering to ensure project stayed within budget, and £6.3m of post completion specialist fit out costs to meet specific scientific requirements. These costs were necessarily expended to bring the asset to its proper location and condition, and will further ensure a building with sufficient flexibility and future protecting to allow world class science to continue for many years.

MRC	Land and Buildings £000	Assets under Construction £000	Equipment and Vehicles £000	Total £000
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#### Cost or valuation

<b>At 1 April 2011</b>	<b>449,066</b>	<b>245,588</b>	<b>217,361</b>	<b>912,015</b>
Additions	5	72,843	16,999	89,847
Disposals	(76,761)	(46,223)	(16,292)	(139,276)
Transfers	246	(246)	0	0
Revaluation	8,316	2,476	5,148	15,940
Reversal of prior year impairment	2,221	0	0	2,221
<b>At 31 March 2012</b>	<b>383,093</b>	<b>274,438</b>	<b>223,216</b>	<b>880,747</b>

#### Depreciation

<b>At 1 April 2011</b>	<b>(251,320)</b>	<b>0</b>	<b>(140,947)</b>	<b>(392,267)</b>
Provided during the year	(7,194)	0	(13,187)	(20,381)
Disposals	63,124	0	12,835	75,959
Revaluation	(6,194)	0	(3,458)	(9,652)
Impairment	0	0	0	0
<b>At 31 March 2012</b>	<b>(201,584)</b>	<b>0</b>	<b>(144,757)</b>	<b>(346,341)</b>

#### Net book value

<b>At 31 March 2012</b>	<b>181,509</b>	<b>274,438</b>	<b>78,459</b>	<b>534,406</b>
At 1 April 2011	197,746	245,588	76,414	519,748

The net book value of land and buildings comprises:	2012 £'000	2011 £'000
Freehold	52,370	50,100
Long leasehold	124,768	140,034
Short leasehold	4,371	7,612

## 18. Investments in Joint Ventures

	Joint venture Francis Crick Institute Ltd £000	Joint venture RCUK SSC Ltd £000	Joint venture Imanova Ltd £000	Total of Joint ventures £000
As at 1 April 2012	55,118	12,712	750	68,580
Additions	60,300	0	375	60,675
Share of losses during the year	0	(2,394)	0	(2,394)
Disposals	0	(10,318)	0	(10,318)
Revaluation	0	0	0	0
<b>As at 31 March 2013</b>	<b>115,418</b>	<b>0</b>	<b>1,125</b>	<b>116,543</b>

	Joint venture Francis Crick Institute Ltd £000	Joint venture RCUK SSC Ltd £000	Joint venture Imanova Ltd £000	Total of Joint ventures £000
As at 1 April 2011	8,894	14,994	0	23,888
Additions	46,224	0	750	46,974
Share of losses during the year	0	(2,282)	0	(2,282)
Revaluation	0	0	0	0
<b>As at 31 March 2012</b>	<b>55,118</b>	<b>12,712</b>	<b>750</b>	<b>68,580</b>

### The Francis Crick Institute Limited (formerly UKCMRI Limited) (SPV) and UKCMRI Construction Limited (Conco)

The Francis Crick Institute Limited (formerly UKCMRI Ltd) is a UK registered charity and limited company formed to deliver the proposed UK Centre for Medical Research and Innovation. The MRC, in partnership with Cancer Research UK, University College London, Kings College London, Imperial College of Science Technology and Medicine and the Wellcome Trust, own CRICK. The entity is designed to allow the delivery of the scientific aims of the joint venture. The original Joint Venture Agreement was signed on 9th November 2010 which established the Francis Crick Institute as a charity limited by shares, following agreement of the Charity Commission. A Deed of accession varying the original Joint Venture Agreement was signed by all venturers in 11 October 2011.

Until such time as the institute becomes operational the Council believe that their investment is best represented by the cost of the shares and therefore we have not consolidated the results of UKCMRI Ltd.

Shares in UKCMRI Construction Limited the construction company owned by the original partners, of which each partner held one £1 share, were transferred to the Francis Crick Institute upon as part of the JVA and became a wholly owned subsidiary of the Francis Crick Institute. The funding of the project has been by capital contributions leading to shares. The MRC investment in the Francis Crick Institute is represented by issued shares.

In previous years capital investment was accounted firstly in Assets under Construction before being transferred to investments upon issuance of shares. Shares are now issued in respect of payments and these are accounted for as investments as opposed to contributions are made in return for providing the Francis Crick Institute with in year funding under the joint venture agreement of £60.3m, the Francis Crick Institute agreed to issue the Council ordinary shares in the Francis Crick Institute to the same value. As at 31 March 2013 shares to the value of £51,691,555 has been issued. The remaining £8,608,838 of shares although due by 31 March 2013 was not formally issued by the Francis Crick Institute until 26th April 2013. In addition at the year end the Francis Crick Institute owed the Council £110,681 (2011-12 £9,765,465) and the Council owed the Francis Crick Institute £1,434,041 (2011-12 £1,448,132).

A lease was made between the original founders and the Francis Crick Institute on 7th June 2012 granting lease of land at Brill Place, Camden, London (site of the Francis Crick Institute) to the Francis Crick Institute. The lease term is for a period of 55 years at peppercorn rent. The land had already been revalued by Powis Hughes, Chartered Surveyors on 14th April 2011. The valuation was carried out in accordance with RICS Valuation Manual, as amended April 2010, known as the revised "Red Book", at Market

Value. The MRC's interest in the land was valued at £49,500,000 and is included in MRC's PPE note under Land and Buildings. (2011/12 - £49,500,000).

## **RCUK Shared Service Centre Limited**

RCUK Shared Services Centre Limited (RCUK SSC UK Ltd) was accounted for as a joint venture until the change in governance and ownership of the company on 6 March 2013. Under the new arrangement the company's name was changed to UK Shared Business Services Limited (UK SBS Ltd); BIS hold a Government Department (GD) share carrying 51% of the votes, UK SBS Ltd holds 1 share carrying 5% of the votes, and all other stakeholders including MRC each own one non- Government Department (NGD) share, with the combined voting value of all the NGD shares being 44%.

MRC have exchanged their A share, which carried the voting rights, for a new NGD share and have sold their B shares, conveying ownership rights, to BIS at their value as at 6 March 2013 (£10,318k). This value represents MRC's opening JV value (£12,712k) less MRC's share of the company's losses and other impairments incurred during the year until 6 March 2013 (£2,394k). The amount from BIS can be seen on the Cash Flow Statement under investing activities, and means that MRC have not needed to draw down as much GIA from BIS as initially expected. MRC's share of the company losses and other impairments has been charged to the Statement of Comprehensive Net Expenditure.

This leaves MRC with one NGD share and means that MRC no longer have joint ownership of the company. Therefore the company has been reclassified as an unlisted investment with an initial cost of £1 being the nominal value of the NGD share.

## **Imanova Limited (formerly MTIC Limited)**

The Molecular and Translational Imaging centre (to be known as Imanova) is an innovative alliance (joint venture) between the MRC, Imperial College of Science Technology, Kings College London and University College. Established in April 2011, Imanova and its partners bring together a breadth and depth of knowledge and expertise that will drive research and innovation in imaging sciences. The company will create, manage and operate a new centre of excellence in the field of translational imaging research. The company is a not for profit entity, of which the MRC owns 25% shareholding.

During the year separate from the JVA an award for £845,000 (2011/12 - £566,230) was made in respect of work to be undertaken by Imperial College through Imanova.

MRC has accounted for its investment in Imanova as a joint venture, with its valuation based on its service potential. It holds 25% of the ordinary shares of the company whose provisional results for financial year 2012/13 record a deficit of £1.13m (2011/12 £0.64m) before tax and net assets of £2.73m (2011/12 £2.36m). During the year MRC had transactions totalling £5.1m (2011/12 £5.1m) with Imanova. There were no outstanding balances owed from Imanova Limited and MRC owed £55,000 to Imanova Limited at the end of the year.

## 19. Investments

### a. Quoted investments

	2013 £000	2012 £000
As at 1 April	1,346	1,632
Additions	0	110
Share of losses during the year	0	0
Revaluation	1,333	(396)
<b>As at 31 March</b>	<b>2,679</b>	<b>1,346</b>

	Number of shares held	Holding %	Market value at 31 March 2013 £000
<b>Quoted</b>			
Galapagos NV (Belgium)	59,919	0.47	964
Vectura (formerly Innovata plc)	58,357	0.04	53
Natus Medical Inc (USA)	7,066	0.04	63
Sangamo Biosciences Inc (USA)	165,255	0.54	1,039
Topo Targets A/S (Denmark)	113,916	0.28	39
Vernalis plc	15,519	0.14	4
Avacta Group plc	44,601,073	0.46	517
<b>Total</b>			<b>2,679</b>

At the close of business on 31 March 2013 the price per share of council's shareholdings listed on the London stock exchange, the AIM, the Nasdaq and the Danish Stock Exchange were as follows:

Galapagos NV	€ 19.07
Vectura (formerly Innovata plc)	90.75p
Natus Medical Inc	\$13.44
Sangamo Biosciences Inc	\$9.56
Topo Targets A/S	DKK 3.00
Vernalis plc	22.75p
Avacta Group plc	1.16p

## b. Unquoted investments

Private unquoted	Number of shares held
Anaptys Biosciences Inc.	120,000
CMP Therapeutics Ltd	93,600
Bicycle Therapeutics Ltd	72,059
D-Gen Ltd	21,412
Iclectus Ltd	6,400
Oxxon Therapeutics Ltd	10,332
Rain Dance Technologies Inc	200,000
Senexis Ltd	10
Heptares Therapeutics Limited	609,577
Phosphate Therapeutics Ltd	245,871
RCUK Shared Services Centre Ltd A Shares (note 18)	1
RCUK Shared Services Centre Ltd B Shares (note 18)	0
The Francis Crick Institute Limited (formerly UKCMRI Limited) (note 18)	115,418,530
Imanova Limited (note 18)	1,125

These companies with the exception of RCUK and the Francis Crick Institute represent the council's interest in enterprises engaged in the commercial development of council inventions and know how. These equity positions were received in return for company access to the council's intellectual property.

## c. Companies Limited by Guarantee

### UK Biobank Limited

UK Biobank Limited is a company limited by guarantee and a registered charity. It is a major UK medical research initiative, with the aim of improving the prevention, diagnosis and treatment of a wide range of serious and life-threatening illnesses – including cancer, heart diseases, diabetes, arthritis and forms of dementia.

The MRC is one of the two members of the company, along with the Wellcome Trust and is one of the prime funders of the organisation. UK Biobank Limited is a related party of the council. As the council is one of nine trustees that manage Biobank and it is a charity, the council is not able to exert any control and so the company is not consolidated in these accounts and its transactions with UK Biobank are expensed as grant payments. Grants payment by the council to UK Biobank Limited during 2012/13 were £6,519,210 (2011/12 = £4,252,615) for the council's contribution to Biobank's general operating costs. Additional grant payments were made during the year towards specific research performed by Biobank. These were for research into biomarker assays, imaging and genetic analysis initiatives totalling £23.6m (2011-12 £0.0m). There were no outstanding balances to / from UK Biobank Limited at the end of the year, or the prior year.

### Medical Research Council Technology Limited

Medical Research Council Technology Limited (MRCT) is a company limited by guarantee and a registered charity. Its principal activity is the management, development and exploitation of the Council's intellectual property assets, including its valuable patent rights associated with the production of monoclonal antibodies.

MRC has the right to appoint one Board member (Director) out of a total of no less than five and normally not more than ten Directors. The Chairman of the Board of Trustees and a majority of the Trustees are independent of the MRC. MRCT is a related party of the council.

MRCT is associated with the Medical Research Council and received funding during the year for the management of the MRC patent portfolio and for research purposes as follows: Management fees of £4,200,000 (2011/12 - £4,338,000). At the year end, £8,329 (2011/12 - £8,595,000) was due from the MRC to MRCT and £209,000 (2011/12 - £1,442,000) was due to the MRC from MRCT.

## 20. Trade and other receivables

	2013 £'000	2012 £'000
Trade receivables	24,378	14,038
Less provisions for bad debts	(16)	(16)
	<b>24,362</b>	<b>14,022</b>
Other receivables	2,749	1,771
Accrued income	39,553	32,521
Prepayments	14,887	15,477
<b>Total</b>	<b>81,551</b>	<b>63,791</b>

### Intra-government balances

At the end of the year, the council had receivable balances with other government bodies totalling

£6,268k (2011/12 = £5,588k) comprising the following: Government Agencies £6,169k (2011/12 = £5,029k), NHS Trusts and Hospitals £99k (2011/12 = £559k).

## 21. Cash and cash equivalents

	2013 £000	2012 £000
Balance at 1 April	81,195	53,536
Net change in cash and cash equivalent balances	(23,206)	27,659
<b>Balance at 31 March</b>	<b>57,989</b>	<b>81,195</b>
The following balances were held at commercial banks and cash in hand	2,900	6,355
The following balances were held with the Government Banking Service	55,089	74,840
<b>Balance at 31 March</b>	<b>57,989</b>	<b>81,195</b>

## 22. Trade and other payables

	2013 £000	2012 £000
<b>Due within 1 year</b>		
Trade payables	(81,110)	(84,866)
Accruals	(150,313)	(151,889)
Taxation and social security	(2,819)	(277)
Deferred income	(28,471)	(35,314)
Other payables	(1,079)	(3,323)
<b>Total</b>	<b>(263,792)</b>	<b>(275,669)</b>
<b>Due after more than 1 year</b>		
Accruals	(15,370)	(9,000)

### Intra-government balances

At the end of the period, the MRC had payable balances with other government bodies totalling £4,424k (2011/12 = £17,067k) comprising the following: Government Agencies £3,749k (2011/12 = £16,712k) NHS Trusts and Hospitals £675k (2011/12 = £355k).

## 23. Provisions for liabilities and charges

	Early retirements compensation scheme(1) £'000	Decommissioning costs £'000	Other costs £'000	Total provisions £'000
At 1 April 2012	4,919	9,597	0	14,516
Amount provided in year	207	780	1,727	2,714
Unwinding of the discount	119	0	0	119
Amount expended in year	(1,096)	0	0	(1,096)
<b>At 31 March 2013</b>	<b>4,149</b>	<b>10,377</b>	<b>1,727</b>	<b>16,253</b>
Provisions due within 1 year	884	2,300	1,727	4,911
Provisions due between 1 and 5 years	1,999	8,077	0	10,076
Provisions due between 6 and 10 years	886	0	0	886
Provisions due over 10 years	380	0	0	380
<b>Sub-total of provisions over one year</b>	<b>3,265</b>	<b>8,077</b>	<b>0</b>	<b>11,342</b>
<b>At 31 March 2013</b>	<b>4,149</b>	<b>10,377</b>	<b>1,727</b>	<b>16,253</b>
At 1 April 2011	6,082	423	0	6,505
Amount provided in year	(125)	9,174	0	9,049
Unwinding of the discount	176	0	0	176
Amount expended in year	(1,214)	0	0	(1,214)
<b>At 31 March 2012</b>	<b>4,919</b>	<b>9,597</b>	<b>0</b>	<b>14,516</b>
Provisions due within 1 year	1,050	2,000	0	3,050
Provisions due between 1 and 5 years	2,386	7,597	0	9,983
Provisions due between 6 and 10 years	1,032	0	0	1,032
Provisions due over 10 years	451	0	0	451
<b>Sub-total of provisions over one year</b>	<b>3,869</b>	<b>7,597</b>	<b>0</b>	<b>11,466</b>
<b>At 31 March 2012</b>	<b>4,919</b>	<b>9,597</b>	<b>0</b>	<b>14,516</b>

### Early retirement compensation scheme

These are legacy Council early retirement obligations agreed prior to 2006. Following changes in the tax regime for pensions in 2006 early retirement benefits subsequently agreed to be paid entirely from the pension scheme.

### Decommissioning

These include provisions for the disposal of the Cyclotron at CSC Hammersmith, £9,839,000 (2011/12 £9,202,000) and High Activity Sealed Sources being used in some units, £538,000 (2011/12 = £395,000)

### Other

These relate to the dilapidation costs for the old LMB buildings that were vacated as part of the switch to the new LMB facility.

## 24. Contingent liabilities

Contingent liabilities of £2.5m have been identified in relation to dilapidation works, which may be required at the end of the property leases expected to end within the next ten years. These are sites located at Head Office London, Centre for Protein Engineering Cambridge and Human Nutritional Research Unit Cambridge.

## 25. Commitments

### Capital

The council had estimated future commitments to capital expenditure, which had been contracted but not provided for at the balance sheet date of £164,352,600 (2011/12 = £237,768,669) comprising the following: the Francis Crick Institute £153,693,100, MRC Virology £3,000,000, Renewal of Imaging Facility at Imperial College £2,000,000, 950MHz NMR Spectrometer £3,889,500 and IGMM £1,770,000.

### Research awards

Forward commitments on research awards:	£'000
2013 – 2014	390,902
2014 – 2015	267,215
2015 – 2016	177,046
2016 – 2021	141,547

## 26. Related party transactions

The MRC is a non-departmental public body sponsored by BIS. For the purposes of International Accounting Standard 24, BIS is regarded as a related party. During the year, the council has had various material transactions with BIS and other bodies for which BIS is regarded as the parent department; namely the Biotechnology and Biological Sciences Research Council, the Engineering and Physical Sciences Research Council, the Economic and Social Research Council and the UK Shared Business Services Limited

The MRC also has material transactions with other related parties; The Francis Crick Institute Limited, Imanova Limited, Medical Research Council Technology Limited and UK Biobank Limited. These have been detailed in Notes 18 and 19c.

The council provides administrative services to the Trustees of two registered charities, The Medical Research Foundation and The Fleming Memorial Fund for Medical Research, which are therefore regarded as related party transactions. The intangible value of these services is estimated at £110k per annum. All direct costs are reimbursed by the charity to MRC. Two of the Trustees who manage the charities are nominated by the Council.

During the year, the following material transactions with the council, board and committee members took place in respect of awards funded by the council.

**Table 1**

The table below lists council, board or committee members who are classified as either a Principal Investigator or a Co-Investigator against an award made in the 2012/13 financial year. The value shown is the whole life commitment of the award, if an award is made to more than one related party the value is counted more than once.

Name	Number of awards	Value (£)
Dr David Gray	1	£4,674,628
Dr Linda Sharples	1	£316,787
Dr Persephone Borrow	1	£1,805,902
Professor Adriano Rossi	1	£2,012,022
Professor Alexander Thiele	1	£487,520
Professor Alicia El-Haj	2	£8,484,826
Professor Andrew Copp	1	£439,061
Professor Anne Ridley	1	£1,647,764
Professor Anthony Hollander	3	£8,189,950
Professor Aroon Hingorani	2	£7,773,021
Professor Christopher Holmes	1	£3,899,938
Professor D Higgs	1	£1,979,847
Professor David Adams	1	£4,697,807
Professor David Beech	1	£1,217,514
Professor David Carling	1	£1,973,211
Professor Deborah Lawlor	1	£384,039
Professor Deenan Pillay	1	£4,447,082
Professor Gad Frankel	1	£1,422,397
Professor Ian Deary	1	£817,140
Professor Ian Tomlinson	1	£336,253
Professor Jane Endicott	1	£832,365
Professor Jeremy Mottram	1	£1,784,405
Professor John Danesh	2	£3,644,269
Professor John Isaacs	1	£4,735,311
Professor Jonathan Sterne	1	£295,826
Professor Judith Allen	1	£1,631,215
Professor Julian Davis	1	£1,273,491
Professor Keith Caldecott	1	£359,928
Professor Magnus Rattray	1	£503,990
Professor Malcolm Dunlop	1	£867,835

Professor Malcolm Jackson	1	£938,349
Professor Mark McCarthy	1	£2,015,533
Professor Martin Wilkins	1	£3,248,475
Professor Michael O'Donovan	2	£3,534,864
Professor Michael White	1	£1,273,491
Professor Moira Whyte	1	£454,825
Professor Nicholas Morrell	1	£3,248,475
Professor Pamela Shaw	2	£328,225
Professor Paul Moss	1	£1,688,224
Professor Paula Williamson	2	£4,935,212
Professor Peter Diggle	2	£5,117,604
Professor Peter Taylor	1	£373,668
Professor Peter Walter Andrews	1	£29,673
Professor Philip Cowen	1	£1,704,606
Professor Philippa Saunders	1	£1,615,965
Professor Richard John Hayes	1	£3,913,897
Professor Robin Ali	1	£2,127,811
Professor Sarah Cunningham-Burley	1	£4,032,595
Professor Sharon Peacock	1	£1,595,329
Professor Shitij Kapur	1	£897,681
Professor Siddharthan Chandran	1	£475,730
Professor Stuart Forbes	3	£9,795,533
Professor Tracy Palmer	1	£460,972
Professor Valerie O'Donnell	1	£451,853

**Table 2**

The table below lists council, board or committee members who are registered at an Organisation that has received funding in the 2012/13 financial year.

Research Organisation	Number of Awards	Amount Awarded
<b>Cardiff University</b>	<b>10</b>	<b>£9,219,257</b>
Professor Kim Graham	Professor Michael O'Donovan	Professor Valerie O'Donnell
<b>Glasgow Caledonian University</b>	<b>1</b>	<b>£817,140</b>
Professor Cam Donaldson		
<b>Imperial College London</b>	<b>30</b>	<b>£25,910,786</b>
Dr Dominic Withers	Professor Anne Lingford-Hughes	Professor Azra Ghani
Professor Dorian Haskard	Professor Gad Frankel	Professor Jonathan Friedland
Professor Jonathan Weber	Professor Martin Wilkins	Professor Nicholas Grassly
Professor Philip Ashton-Rickardt	Professor Sian Harding	Professor William Wisden
<b>Institute of Cancer Research</b>	<b>1</b>	<b>£393,765</b>
Professor Clare Isacke		

<b>Keele University</b>	<b>1</b>	<b>£141,899</b>
Professor Alicia El-Haj		
<b>King's College London</b>	<b>28</b>	<b>£16,394,453</b>
Professor Anand Purushotham	Professor Anne Ridley	Professor Frank Kelly
Professor Gillian Bates	Professor Ivor Mason	Professor Martin Gulliford
Professor Michael Malim	Professor Philip McGuire	Professor Shitij Kapur
<b>Lancaster University</b>	<b>2</b>	<b>£645,787</b>
Professor Peter Diggle		
<b>Liverpool School of Tropical Medicine</b>	<b>3</b>	<b>£3,238,506</b>
Professor David Laloo	Professor Hilary Ranson	
<b>London School of Hygiene and Tropical Medicine</b>	<b>17</b>	<b>£17,714,987</b>
Dr Judith Green	Professor David Andrew Leon	Professor Richard John Hayes
<b>Newcastle University</b>	<b>7</b>	<b>£8,421,446</b>
Professor Alexander Thiele	Professor Andrew Hall	Professor Jane Endicott
Professor John Isaacs	Professor John Lunec	Professor Tim Cawston
<b>Queen Mary, University of London</b>	<b>12</b>	<b>£9,595,622</b>
Professor Chris Griffiths	Professor Thomas MacDonald	
<b>Queen's University of Belfast</b>	<b>1</b>	<b>£321,294</b>
Professor Frank Kee		
<b>The University of Manchester</b>	<b>16</b>	<b>£17,170,712</b>
Dr Raj Chopra	Professor David Ray	Professor Enrique Amaya
Professor Gordon Jayson	Professor Jonathan Hill	Professor Julian Davis
Professor Magnus Rattray	Professor Matthew Lambon Ralph	Professor Michael White
Professor Neil Hanley	Professor Robert Hawkins	Professor Teresa Attwood
<b>University College London</b>	<b>46</b>	<b>£38,773,789</b>
Dr Pam Sonnenberg	Professor Andrew Copp	Professor Andrew Steptoe
Professor Aroon Hingorani	Professor Caroline Sabin	Professor Daniel Cutler
Professor David Balding	Professor Deenan Pillay	Professor Jugnoo Rahi
Professor Mary Collins	Professor Patricia Salinas	Professor Peter Taylor
Professor Robin Ali	Professor Susan Michie	Professor Tariq Enver
<b>University of Aberdeen</b>	<b>2</b>	<b>£880,102</b>
Professor Gordon Brown	Professor Mandy Ryan	Professor Michael Frenneaux
<b>University of Birmingham</b>	<b>11</b>	<b>£8,260,850</b>
Dr David Simmons	Dr Paramjit Gill	Professor David Adams
Professor Keith Wheatley	Professor Paul Moss	

<b>University of Bristol</b>	<b>20</b>	<b>£10,682,714</b>
Professor Alastair Poole	Professor Anthony Hollander	Professor Deborah Lawlor
Professor Jonathan Sterne	Professor Timothy James Peters	
<b>University of Cambridge</b>	<b>21</b>	<b>£17,300,217</b>
Dr David Tannahill	Dr James Rowe	Professor Colin Taylor
Professor David Lomas	Professor John Danesh	Professor Kenneth Smith
Professor Nicholas Morrell	Professor Sharon Peacock	
<b>University of Dundee</b>	<b>11</b>	<b>£12,277,835</b>
Dr David Gray	Dr Rory McCrimmon	Professor Doreen Cantrell
Professor Tracy Palmer	Professor Vikki Entwistle	
<b>University of Edinburgh</b>	<b>22</b>	<b>£21,492,171</b>
Dr Christopher Weir	Professor Adriano Rossi	Professor Giles Hardingham
Professor Ian Deary	Professor Judith Allen	Professor Malcolm Dunlop
Professor Philippa Saunders	Professor Richard Knight	Professor Sarah Cunningham-Burley
Professor Siddharthan Chandran	Professor Stuart Forbes	
<b>University of Exeter</b>	<b>3</b>	<b>£3,659,085</b>
Professor Steven Thornton		
<b>University of Glasgow</b>	<b>8</b>	<b>£6,319,548</b>
Dr Martin Drysdale	Professor Andrew Baker	Professor Foo Liew
Professor Jeremy Mottram	Professor Robert Inshall	
<b>University of Leeds</b>	<b>8</b>	<b>£5,607,033</b>
Professor David J Beech	Professor David Westhead	Professor Sheena Radford
<b>University of Leicester</b>	<b>4</b>	<b>£2,116,018</b>
Professor Anthony Gershlick	Professor Nilesh Samani	
<b>University of Liverpool</b>	<b>9</b>	<b>£8,160,859</b>
Dr Trevor Cox	Professor Ian Greer	Professor Malcolm Jackson
Professor Paula Williamson		
<b>University of Nottingham</b>	<b>6</b>	<b>£5,858,789</b>
Professor Ian Hall	Professor John Atherton	Professor Kavita Vedhara
Professor Peter Fischer	Professor Stephen Coombes	Professor Stephen Hill
<b>University of Oxford</b>	<b>46</b>	<b>£52,341,741</b>
Dr Paul Brennan	Dr Persephone Borrow	Dr Richard Copley
Professor Benjamin Davis	Professor Christopher Holmes	Professor D Higgs
Professor Ian Tomlinson	Professor Irene Tracey	Professor Mark McCarthy
Professor Matthew Wood	Professor Paul Riley	Professor Philip Cowen
Professor Sarah Rowland-Jones		
<b>University of Reading</b>	<b>3</b>	<b>£1,801,145</b>
Professor Ian Jones		

<b>University of Sheffield</b>	<b>14</b>	<b>£5,097,022</b>
Professor Alicia O'Cathain	Professor Ian Sabroe	Professor Mimoun Azzouz
Professor Moira Whyte	Professor Pamela Shaw	Professor Peter Andrews
Professor Stephen Walters		
<b>University of Southampton</b>	<b>4</b>	<b>£2,086,295</b>
Professor Diana Eccles	Professor I Temple	Professor V Hugh Perry
<b>University of Sussex</b>	<b>7</b>	<b>£4,463,965</b>
Professor Keith Caldecott		
<b>University of Warwick</b>	<b>3</b>	<b>£3,115,215</b>
Professor Nigel Stallard	Professor Simon Gates	
<b>University of York</b>	<b>3</b>	<b>£3,483,461</b>
Professor David Torgerson	Professor Eve Roman	Professor Mark Sculpher
Professor Paul Kaye		

## 27. Financial Instruments and Derivatives

IFRS 7, Financial Instruments: Disclosures, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks the council faces in undertaking its activities. Specifically: (a) the significance of financial instruments affecting financial position and performance; and (b) the nature and extent of risks arising from financial instruments to which it is exposed. Because of the largely non-trading nature of its activities and the way it is financed, the MRC is not exposed to the degree of financial risk faced by businesses. Moreover, financial instruments play a limited role in creating or changing risk on its operational activities.

### Liquidity risk

The council's net revenue resource requirements are largely funded by the grant-in-aid from its sponsor department. The capital expenditure is also financed through the grant-in-aid. The council is therefore not exposed to significant liquidity risks.

### Interest rate risk

The council has a low level of exposure to interest rate fluctuations; it does not actively seek to invest cash in money markets. Any excess funds held outside of the Government Banking Systems banking framework, which could attract interest, are maintained in low level current accounting arrangements, as part of its banking arrangements with Lloyds Banking Group.

## Foreign currency risk

The council maintains US dollar and Euro bank accounts in order to deal with day-to-day transactions. There is a risk attached to holding foreign currency denominations but this is not considered to be material.

The council also holds certain balances in overseas bank accounts to help manage day-to-day business transactions of its overseas operations. During the year end, the average monthly float levels were £898,333 (2011/12 = £885,000).

### Foreign Currency Balances

	As at 31 March 2013	As at 31 March 2012
USD	£1,915,298	£1,541,964
Euro	£2,587,677	£708,476

A 5 per cent (10 per cent)  $\pm$  movement in exchange rates would equate to £225,149, (£450,298), such events would have minimal impact on council's resources. In 2011/12 the corresponding amounts were £112,522 (£225,044).

## Receivables and creditor risk

Financial assets and liabilities are held at fair value and changes in values are recognised in the Statement of Comprehensive Net Expenditure. The fair value of the council's financial assets and liabilities are equivalent to the carrying amount unless stated otherwise. The council has limited powers to borrow or invest funds; financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing the council in undertaking its activities. Of current outstanding trade debt 20 per cent is greater than 30 days old (2011/12: 40 per cent).

## 28. Events after the reporting period

IAS 10 events after the balance sheet requires the disclosure on the date on which the financial statements were authorised for issue and who gave that authorisation. The accounts were authorised for issue by the Accounting officer on the 5 July 2013. The financial statements do not reflect events after this date.

## Transfer of Business to University Sector

Seven MRC research units transferred to the University Sector after the reporting period. The transfer is part of a wider strategic alliance between the MRC and the University sector to build on our excellent research, strengthen integration with University

research activities, and open up new scientific opportunities and funding. These benefits will allow greater investment into science. Both the host university and the MRC also benefit from enhanced branding and prestige. The following research Units have transferred:

The MRC Centre for Virus Research with 52 employees & assets with a net book value of £1.8m transferred to University of Glasgow on 1st May 2013.

On the 1st May 2013 the MRC Epidemiology Unit with 93 employees & assets with a net book value of £5.6m transferred to University of Cambridge creating a new University Unit department within the School of Clinical Medicine..

The MRC Lifecourse Epidemiology Unit with 18 employees & assets with a net book value of £1.5m transferred to University of Southampton on 1st May 2013.

The MRC Protein Phosphorylation and Ubiquitylation Unit with 43 employees & assets with a net book value of £1.0m transferred to University of Dundee on 1st May 2013.

The MRC Social & Public Health Sciences Unit with 99 employees and assets with a net book value of £2k (two thousand pounds) transferred to University of Glasgow on 1st June 2013.

The MRC Functional Genomics Unit with 44 employees & assets with a net book value of £1.2m transferred to University of Oxford on 1st July 2013.

The MRC Anatomical Neuropharmacology Unit with 40 employees & assets with a net book value of £1.9m transferred to University of Oxford on 1st July 2013.







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