Financial Statements for the Medical Research Council for the year ended 31 March 2015

DRAFT

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 disclosure 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 2014/15

1 Scope of responsibility

As Accounting Officer, I have personal responsibility for maintaining a sound system of governance and internal control that supports the achievement of MRC's policies, aims and objectives whilst safeguarding the public funds in accordance with the responsibilities assigned to me and disclosed in "Managing Public Money'.
The MRC is an independent non-departmental public body of the Department for Business Innovation and Skills (BIS). MRC's lines of accountability with BIS are defined through a Management Statement, code of practice and financial memorandum. These documents were reviewed through a cross-Research Council group; following revision and updating, new versions were approved by MRC Council in December 2014.

2 The purpose of the Governance Statement

This Governance Statement for 2014/15 gives a clear understanding of the dynamics of the MRC and its control structure. It explains the way in which the MRC governance framework operates and details results from the review processes which enable me to have confidence in the effectiveness of the controls. This statement explains how the MRC has complied with the principles of good governance, reviews the effectiveness of these arrangements, and complies fully with the Corporate Governance Code.

3 The governance framework/structure

The MRC governance framework includes Council, the Council Audit and Risk Assurance Committee (CARAC), Management Board, Strategy Board, Operations Board and other fora, senior management, officials and staff. The MRC's decision-making and advisory bodies are described below.

3.1 **The MRC's Council** meets five times a year. Council is the MRC's top level decision-making body directing and overseeing 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.

3.2 **Council appointments:** 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.

Main activities for 2014/15[1]:

3.1 [1] Agenda and redacted minutes are available on the MRC website.

- Reviewing delivery of the commitments in the MRC strategic plan, and other items of strategic importance;
- Advising on priorities for the 2015 spending review;
- Reviewing and advising on the implications of legislation including the EU Data Protection Regulations;
- Reviewing and approving decisions on MRC intramural investments including progress and future plans for the university unit programme and the tracking of benefits from the programme;
- Reviewing and approving the MRC Estates and Asset and Project Management Strategy and monitoring progress with major initiatives including the Francis Crick Institute;
- Approving updated versions of the MRC Management Statement, Financial Memorandum and Code of Conduct for council members;
- Reviewing and approving financial plans and performance;
- Reviewing and approving operational activities;
- Receiving reports from subcommittees including the Council Audit and Risk Assurance Committee, the Ethics, Regulation and Public Involvement Committee, the Remuneration Committee and the Nominations Committee.

Review of effectiveness
During 2014/15, the Council Chairman held 1:1 meetings with Council members to review performance.

3.3 Council is supported in its role by a number of boards and subcommittees[2]. 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). Council is also advised by an Employee Representation Forum.

3.4 The **Council Audit and Risk Assurance Committee (CARAC)** met five times in 2014/15. It supports and advises Council and the Chief Executive on matters of governance, risk and control. Meetings are attended by representatives from the National Audit Office (NAO) and the Research Council's Audit and Assurance Service Group (AASG).

3.5 **Changes to CARAC.** Following to the resignation of the Committee Chair, Tony Caplin, Professor Michael Arthur took over as Chair from April to September 2014. Dame Janet Finch was appointed Deputy Chair in October 2014 and Chair in January 2014. All other changes are noted in the table below.

CARAC main activities for 2014/15:

- Reviewing audit reports and tracking implementation of recommendations;
- Detailed scrutiny of annual accounts;
- Oversight of risk management with particular emphasis on the management of corporate and fraud risks;
- Review of information assurance and information security;
- Review of assurance process and findings;
- Monitoring of major programmes.

[2] 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

Review of effectiveness

CARAC carried out a review of effectiveness in April 2014.

3.6 The **Remuneration Committee (RemCom)** reports to Council and met in May and October 2014. It is chaired by the MRC Chairman and there are four additional members, who are all Council members. The MRC Chief Executive, the Chief Operating Officer and the HR Director are also invited to attend and advise RemCom. RemCom reviews the HR Strategy, in particular the pay, grading and bonus arrangements for the most senior staff.

3.7 The **Ethics, Regulation and Public Involvement Committee (ERPIC)** is chaired by Baroness O'Neill of Bengarve and currently has nine other members. It is an advisory committee which meets twice a year and reports to Council.

3.8 The **Nominations Committee (NomCom)** reports to Council. It is chaired by the MRC Chairman and there are four additional members. NomCom advises the Chairman on senior key appointments and meets as and when required. NomCom met twice in 2014/15 to advise the Chairman on the succession planning and Council member recruitment. NomCom also advised the Chairman via email on applications for Council membership.

3.9 **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 plan. Membership includes the Chair of each of the Research Boards and Strategic Overview Groups (see 3.10) plus an MRC institute or unit director and a representative of the extramural programme. Strategy Board reports to Council and has a budget delegated by Council for strategic awards.

3.10 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 with more focused remits (e.g. Fellowship awards, translational research), 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 Population Health Sciences Group) which are responsible for ensuring that the MRC's activities in these key areas are well coordinated and strategically positioned.

Council and Committee attendance, 1 April 2014 – 31 March 2015

	Attendance				
Name of Member	Council	RemCom	CARAC	ERPIC	NomCom
Prof Jeffrey Almond[3]	2/2				1/1
Prof Michael Arthur[4]	2/2	0/1	2/2		
Dr John Brown[5]	3/3				
Mr Donald Brydon[6]	5/5	2/2	5/5		2/2
Prof Doreen Cantrell[7]	2/3				
Prof Dame Sally Davies	3/5				
Prof Chris Day	5/5	2/2			2/2
Prof Dame Janet Finch[8]	2/3		3/3		
Dr Richard Henderson[9]	2/2	1/1	0/2		
Prof Patrick Honston	2/3				
Prof Dame Sally Macintyre	3/5				2/2
Professor Paul Morgan[10]	5/5	2/2			
Baroness Onora O'Neill	5/5			2/2	
Dr Menelas Pangalos[11]	4/5				
Mrs Vivienne Parry	3/5			1/2	
Dr Ruth McKernan	4/5				
Prof Sir John Savill[12]	5/5				
Prof Michael Schneider[13]	4/5		1/1		
Ms Anna Anderson			4/5		
Mr Alastair Hewgill			5/5		
Mr John Jeans[14]			0/3		
Mr Roger Dunshea			5/5		
Mr Andrew Murphy			3/5		

Key

Council Member
Independent CARAC members
Management

Management Board

3.11 **Management Board** is the MRC's principal executive decision-making body. It meets eleven times a year and is accountable to Council through the Chief Executive.

[3] Professor Almond stepped down in September 2014
[4] Professor Arthur stepped down in September 2014
[5] Dr Brown was appointed in October of 2014 and became a member of RemCom
[6] Mr Brydon also chairs RemCom and NomCom
[7] Prof Cantrell was appointed in October 2014 became a member of NomCom in January 2015
[8] Dame Janet was appointed to Council and Deputy Chair of CARAC in October 2014. She was appointed Chair of CARAC in January 2015.
[9] Dr Henderson stepped down in September 2014
[10] Professor Morgan stepped down in March 2015
[11] Dr Pangalos joined RemCom in January 2015
[12] Prof Sir John Savill is the Chief Executive and Deputy Chair of Council
[13] Professor Schneider was appointed Deputy Chair of CARAC in February 2015
[14] Mr John Jeans resigned in September 2015

3.12 **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.

Partner organisations

3.13 The MRC is a key funder in a variety of partnerships. The MRC's interests in each of these partnerships are governed via a Joint Venture Agreement or by contracts. In some instances separate companies have been established and the MRC has a nominated Director on each board. Whilst the detail for each partnership differs, the MRC has appropriate agreements in place and actively engages through representation at senior level. The partnerships are:

- UK BioBank
- Imanova
- The Francis Crick Institute (The Crick)

3.14 Our risk and assurance frameworks ensure that matters emanating from these partnerships activities are reported and that issues are responded to in an appropriate manner. The governance arrangements for these partnerships are subject to audit by AASG on a rolling programme.

3.15 MRC University Units - The university units are governed by strategic alliance agreements and have specific assurance arrangements. These arrangements are subject to audit by AASG.

4 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 system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives.

The MRC has a robust risk management system designed to identify and priorities the risks to the achievement of MRC's policies aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently and effectively. The system of control has been in place in MRC for the year ended 31 March 2015 and up to the date of approval of the annual report and accounts and accords with HM Treasury guidance.

The task of overseeing the risk management strategy is delegated to the Head of Risk Management and Assurance. The Risk and Assurance team provide challenge and support. The team co-ordinates the corporate and fraud risks, which are reviewed regularly by Management Board and then reported to CARAC and Council.

All MRC directors and managers share the responsibility to ensure the effective implementation of risk management and internal controls.

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

The risk management framework includes:

- setting out a risk management policy and strategy and defining the risk appetite for the MRC;
- signing up to overall assurances statement by directors; (DASIC see 14.3)
- updating and reviewing the corporate and fraud risk registers at least quarterly by senior management and reviewing at CARAC;
- underpinning the corporate risk register with Directorate, Unit and Project level risk registers;
- requiring all risks to have a senior manager/director as " risk owner";
- a formal project management approach with embedded risk management for major activities, including the business critical programmes;
- All decision papers to Council, Management Board and Strategy Board require a statement on the risks relevant to the decision.
- The uses of risk management software "EasyRisk" to record and track all risks and audit recommendations.

5 Fraud and error risk management

5.1 The MRC is committed to standards of regularity and propriety and does not tolerate any form of fraud, bribery and/or corruption.

5.2 The MRC has a detailed fraud and error risk register that is reviewed regularly by Management Board, CARAC and Council.

5.3 There is a mandatory e-learning programme on fraud and bribery for all senior staff and those working in high risk areas.

5.4 All fraud reports are reviewed by CARAC.

5.5 One fraud was identified at our Uganda unit and dealt with appropriately. Although unwelcome it did not represent a material loss of financial control.

6 Information assurance and information security

6.1 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.

6.2 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. The results of the annual review together with any actions are reported to Operations Board and CARAC.

6.3 The MRC submits an annual Security Health Check return to BIS. The Security Health Check confirms compliance with the mandatory security outcomes described in the HMG Security Policy Framework. . The return reflects an assessment of specific Information

Assurance risk areas that are consistent with the risks recorded in the Council's risk register together with any areas of concern.

6.4 The MRC has adopted the Cabinet Office policy on Government Security Classifications. The MRC has produced its own guidance to support the policy and has ensured that all relevant staff have received appropriate training.

Information Security Incidents

6.5 For the year ending 31st March 2015, the MRC IT Security team logged 18 security incidents, none of which required reporting to BIS or the Information Commissioner. Eight related to equipment that was encrypted to an appropriate standard. The remainder were all due to human error rather than system failure or loss of data due to deliberate attack. One incident was reported to CARAC.

7 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. 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 intramural 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 outputs and outcomes.

8 Austerity measures

The MRC has robust control processes, checks and reporting arrangements in place to review and manage expenditure in keeping with the austerity measures introduced in May 2010.

9 Tax assurance

The Alexander Review was published in May 2012 making a number of recommendations to ensure that the highest standards of integrity could be demonstrated in the tax arrangements of senior public appointees. I can confirm that MRC's senior staff are all paid through the payroll and that arrangements are in place through retained HR to provide assurance that appropriate tax arrangements are in place to cover any other appointees covered by the report.

In 2014/15 MRC identified 13 contractors who fell within the Alexander Review criteria. The MRC has sought and gained assurance that the appropriate tax arrangements are in place for the contractors identified.

Council members are 'office holders' as defined within HMRC guidance, and their remuneration is subject to income tax and National Insurance contributions under PAYE where applicable and managed through the payroll.

As such, the MRC is in compliance with the recommendations in the HM Treasury 'Review of the tax arrangements of public sector appointees' published in May 2012.

10 Macpherson Review

The review of quality assurance of Government analytical models undertaken by Sir Nicholas Macpherson and published by HM Treasury in March 2013 made a number of recommendations for government departments and their Arm's Length Bodies.

Following this Review, the MRC reviewed its use of analytical modelling and did not identify any that were considered to be business critical. This was communicated to BIS and I can confirm that MRC complies with the requirements set out in Howard Orme's letter dated 15th May 2013.

11 Efficiency

As set out as part of the 2010 spending review settlement, the research councils have been implementing 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, 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 Institution.* The efficiency savings are being applied to research grants and fellowships awarded via competitive routes to research organisations, and also to research council institutes. The combined savings for the first three years of the programme (2011/12, 2012/13 and 2013/14) have exceeded the planned £251.2m target with details provided in the programme's annual report at http://www.rcuk.ac.uk/RCUK-prod/assets/documents/documents/RCUK_Efficiency_Savings_Report_2013-14.pdf

The programme continues to be on target to meet the overall cross-Council four year target of £427.8m. Additionally, the efficiency programme will be extended by an extra year to include 2015/16.

Alongside these measures the research councils also introduced changes to the requests for equipment on grants, including asking applicants to demonstrate how the usage of the equipment will be maximised. RCUK has worked with university partners to develop options to promote and assist equipment sharing, including exploring the issues around asset registers. There is good anecdotal evidence of significant progress by universities to promote sharing, and of very efficient usage of large pieces of experimental equipment.

12 Regularity and propriety

I can confirm that for 2014-15 neither I nor my staff authorised a course of action, the financial impact of which would have been that transactions would have infringed the requirements of regularity as set out in Managing Public Money; and that Treasury approval has been obtained for all novel, contentious or repercussive transactions relating to 2014-15.

13 Research integrity

MRC Council receives an annual report on research integrity, including information on any cases of misconduct relevant to MRC-funded work. A summary report for 2014 has been published on the MRC web site in line with responsibilities agreed under the UUK Concordat to support research integrity.

The MRC aims to be a leading body in evaluation and in capturing of outcomes of funding research through comprehensive use of Researchfish, and funding independent and external research into outcomes and impacts.

14 Review of effectiveness

14.1 As the MRC Accounting Officer I have responsibility for reviewing the effectiveness of the system of governance, risk management and internal control. My review is informed by the work of the executive managers within the MRC who have responsibility for the development and maintenance of the internal control framework, as well as by internal auditors and comments made by the external auditors in their management letter and other reports.

14.2 I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by Management Board and CARAC 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.

Directors' Annual Statement of Internal Control (DASIC)

14.3 All MRC Directors (intramural institutes/units, overseas offices 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.

14.4 All units now embedded in universities have provided a University Unit Assurance Statement, similar to the DASIC statement.

14.5 All returns are reviewed and validated by corporate leads for each area of responsibility before being considered by Operations Board and CARAC. Any weaknesses in controls are risk-assessed and appropriate action plans put in place.

15 Current Significant Risks

The most significant risks to MRC are:

- UK SBS Ltd services

There is a risk that the MRC does not receive services to the agreed standard affecting performance or requiring 'work around', such as Scientific Recruitment. The MRC has limited ability to influence delivery. The MRC has on-going dialogue with UKSBS about performance. In addition issues are raised at the customer forum and through BIS, for example, the BIS 20/20 review.

- Establishment and operation of The Crick

There is a risk that the MRC will not be able to maximise the value of its investment in the Crick. A high risk example is the potential construction and operation of the Cross Rail 2 railway in tunnels close to the basement of the new Crick building, which may have an impact on highly sensitive equipment due to vibration and electro-magnetic interference. The equipment is used extensively for research funded by the MRC, and interference could cause inaccurate data or research interruption over protracted durations. The MRC and BIS have raised these concerns with the Department forTransport.

- Access to personal data for research

There is a risk that access to personal data for research will be increasingly difficult due changes in legislation (e.g. EU Data Protection) and problems with inconsistent or slow processes for authorising access. The MRC submitted evidence to the UK Government and to the EU on the proposed changes and continue to monitor the progress of the legislation.

- Pressure on the administration budget

There is pressure on the administration budget, due to cuts in central funding and costs of changes, which could lead to reduction in effectiveness of services to support science. All new administrative posts are being offered as fixed term to allow for flexibility. The MRC is working with other research councils to identify opportunities for improved efficiency and reduce costs.

- Biomedical Catalyst

This highly successful partnership between the MRC and Innovate UK, is supported from MRC baseline funding and a special allocation to Innovate UK. If the Innovate UK funding is not renewed in 2015, or if decisions are delayed, this translational initiative will stall. The MRC is working with Innovate UK to help ensure that the strongest possible evidence (including independent work by IPSOS/MORI) is available for the spending review, and ensuring that MRC and community support is visible throughout the spending review.

- Procurement
  The procurement service is subject to a procurement improvement plan following the identification of weak controls at UK SBS. If the level of service were not to improve there is a risk business activities will be adversely impacted.

16 Assurance

Audit and Assurance Service Group (AASG)

16.1 In 2014/15 the Head of Internal Audit provided the MRC with an overall moderate level of assurance on the adequacy and effectiveness of MRC’s controls framework.

16.2 The internal audit programme is developed annually in consultation with CARAC, Management Board and the Head of Risk Management. In 2014/15 the audit programme included 27 audits, 12 (44.4 per cent), substantial 14 (51.9 per cent) moderate assurance giving the MRC a realised assurance of (96.3 per cent) which has increased from previous year. Whilst one cross-council report received limited assurance it is believed that no issues are serious enough to be specifically mentioned in this statement.

16.3 The outcomes of all audits are discussed at CARAC.

16.4 The MRC has a comprehensive system for tracking implementation of audit recommendations. Progress on implementation is reviewed at Operations Board and CARAC at least quarterly.

Funding assurance activities

16.5 Funding assurance activities are now encompassed within the overall remit of AASG. These activities focus on substantive testing of the control environment [within individual 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).

16.6 In 2014-15, 28 assurance assignments where undertaken, comprising of seven visits and three enhanced desk-based reviews and 17 desk-based reviews. This programme is an important element of the risk management framework for the MRC, and findings for the year indicate that a satisfactory level of assurance can be reported based on the work undertaken.

UK Shared Business Services Ltd (SBS) Assurance

16.7 The UK SBS Ltd provides processing services in human resources, procurement, payroll, finance, grants and IT to all seven Research Councils. Last year our Annual Governance Statement (AGS) noted that ownership and control of UK SBS Ltd had passed from the research councils to BIS.

16.8 In 2014-15 there have been significant changes in the assurance provision. Since 1st April 2014 the Government Internal Audit Agency (GIAA) now has the responsibility for the UK SBS Ltd audit programme. The GIAA reports provide input to the UK SBS CEO's quarterly assurance letters which provide the cornerstone of the assurance I receive regarding UK SBS Ltd.

16.9 At the time of writing this AGS, I have received three assurance letters covering the period up until 31 December 2014. The latest letter concludes that, based on the internal audit work to date, the UK SBS CEO anticipates receiving a limited assurance opinion for the effectiveness of internal controls within the company as a whole. The Head of Internal Audit (GIAA) has indicated that he anticipates providing a moderate assurance opinion for the effectiveness of internal controls relating to customer processes. I note the positive content of the UK SBS Ltd letter and note it as a source of assurance for this year and in future years.

16.10 As a result of the assurance provided by the UK SBS CEO and a wider review with cross-council governance groups, I highlight the following:

- It is pleasing to note that UK SBS has continued to deliver in a number of areas and many improvements have been noted in their performance.
- UK SBS continues to operate in a challenging environment with often changing and sometimes conflicting priorities. During the year this has included:

  - uncertainty relating to staff reductions,
  - the planned transfer of some transactional services to Shared Services Connected Limited (SSCL), although a decision has now been made to discontinue on this path,
  - the upgrade of the Oracle 12.0.6 Platform,
  - the transfer of the peer review process back to the research councils,
  - the BIS 2020 Review.

- Whilst some progress has been made to improving the control framework in UK SBS over the last 12 months, the controls have yet to become sufficiently embedded in the organisation. The scope and scale of improvements required across parts of the framework for the company are significant.

- Through the assurance letter and GIAA reviews UK SBS have highlighted the following areas that require improvement:
  - IT governance and management
  - Procurement
  - Payroll

16.11 In relation to a wider review with cross-council customer governance groups and other cross-council groups, I highlight:

- A number of improvements in performance and control but also reflected is a challenging and changing business environment and the loss of experienced staff. This is coupled with a decline in the pace at which change and improvements are being delivered.

- The need to revisit the continued relevance of the Master Service Agreement (MSA) and Critical Performance Indicators (CPIs) across all services. Action is in hand to review CPIs relating to HR/payroll, procurement and ISS system bandwidth.

- Shortfalls on a significant number of existing CPIs across all services, with a caveat, that performance within Finance Service Delivery has, overall, been fairly steady with some exceptions.

- Across service areas councils continue to work with UK SBS and seek improvements in relation to:
  - Procurement
  - Recruitment
  - IT governance and controls
  - The fixed asset module
  - Service requests
  - Business continuity and disaster recovery

16.12 I accept the general picture provided by the UK SBS Ltd Chief Executive in that the organisation has undergone significant change and reorganisation in 2014-15, I am pleased to note that UK SBS Ltd have clearly recognised that problems and issues exist and have been transparent and open in reporting these in the most recent assurance letter. Even so, the current assurance picture clearly highlights the need for continued improvement and I consider the business continuity of UK SBS operations to be a risk to MRC business. This may be indicative of resources issues, the impact of which we have yet to fully feel as personnel continue to leave.

16.13 There is no room for complacency and I will expect a significant improvement in the assurance levels and the level of service through 2015-16. The MRC, in concert with the other RCs, will support UK SBS going forward and continue to monitor on-going performance both by UK SBS and within research council operations.

16.14 I rely on the Accounting Officer of UK SBS to provide me with an assurance on these areas.

17 Conclusion

17.1 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 CARAC. 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.

Sir John Savill

Accounting Officer/Chief Executive

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

Primary Statements

Statement of Comprehensive Net Expenditure

for the year ended 31 March 2015

	Note	2014-15 £000		2013-14 £000	
Administration costs					
Staff costs		14,114			
Other costs		10,381			
Income		(106)			
Total net administration costs		*24,389*		-	-
Programme expenditure					
Staff costs		127,461			
Other costs		774,701			
Income		(226,719)			
Total net programme costs		*675,443*		-	-
Net operating costs for the period		**699,832**		**-**	**-**
Total expenditure		926,657		-	-
Total income		(226,825)		-	-
Net operating costs for the period		**699,832**		**-**	**-**
Non-operating activities					
Non-operating (gains)/losses		**-**		**-**	**-**
Net expenditure for the period		**699,832**		**-**	**-**
Other Comprehensive Net Income and Expenditure					
Items that will not be reclassified to net operating costs:					
Net (gain)/loss on:					
- revaluation of property, plant and equipment		(51,117)			
- revaluation of intangible assets		(31,393)			
Items that may be reclassified subsequently to net operating costs:					
Net (gain)/loss on:					
- revaluation of investments		197			
- actuarial (gains)/losses		74,254			
Total other comprehensive net income and expenditure		**(8,059)**		**-**	**-**
Total comprehensive expenditure for the period		**691,773**		**-**	**-**

The Notes on pages 12 to 54 form part of these Accounts.

Statement of Financial Position
as at 31 March 2015

		31 March 2015		31 March 2014		1 April 2013	
		£000		£000		£000	
	Note						
Non-current assets:							
Property, plant and equipment	7	539,900					
Investment properties		-					
Intangible assets	8	59,443					
Investment and loans in public bodies		-					
Other financial assets		3,148					
Derivative financial instruments		-					
Investment in joint ventures and associates	10	268,287					
Trade and other receivables		-					
Total non-current assets		***870,778***					
Current assets:							
Inventories		-					
Non current assets held for sale		1,411					
Trade and other receivables	11	74,435					
Other financial assets		-					
Derivative financial instruments		-					
Cash and cash equivalents	12	5,862					
Total current assets		***81,708***					
Total assets		**952,486**					
Current liabilities:							
Trade and other payables	13	(249,367)					
Provisions		(3,468)					
Financial guarantees		-					
Other financial liabilities		-					
Current tax liability							
Total current liabilities		***(249,367)***					
Non-current assets plus/less net current assets/ liabilities		**703,119**					
Non-current Liabilities:							
Trade and other payables		(10,913)					
Provisions	14	(3,507)					
Financial guarantees		-					
Retirement benefit obligations	3.2	22,894					
Other financial liabilities		-					
Deferred tax liability							
Total non-current liabilities		***5,005***					
Total assets less liabilities		**708,124**					
Taxpayers' equity and other reserves:							
General fund		565,368					
Revaluation reserve		142,755					
Charitable funds		-					
Minority interest		-					
Total equity		**708,123**					

Sir John Savill

Accounting Officer/Chief Exectutive
xx July 2015

The Notes on pages 12 to 54 form part of these Accounts.

Statement of Cash Flows
for the year ended 31 March 2015

	Note	2014-15 £000 Parent		2013-14 £000	
Cash flows from operating activities					
Net operating cost		(699,831)			
Adjustments for non-cash admin expenditure		1			
Adjustment for non-cash programme expenditure		94,441			
Adjustment for non-cash programme income		(46,479)			
Adjustment for non-cash pension costs		(4,274)			
Adjustment for other non-cash transactions		372			
(Increase)/decrease in trade and other receivables		(2,788)			
Increase/(decrease) in trade and other payables		(5,275)			
Adjustment for cash held in foreign currencies		28,500			
Use of provisions		(6,871)			
Increase/(decrease) in current tax liability					
Increase/(decrease) in deferred tax liability					
Less movements in deferred tax relating to items not passing through the Consolidated Statement of Comprehensive Net Expenditure					
Net cash outflow from operating activities		***(642,204)***			
Cash flows from investing activities					
Purchase of property, plant and equipment		(28,199)			
Proceeds of disposal of property, plant and equipment		225			
Proceeds of disposal of assets held for sale		28,500			
Investment in joint ventures and associates		(38,043)			
Net cash outflow from investing activities		***(37,517)***			
Cash flows from financing activities					
Transfers Out of Charitable Funds Restricted Reserve					
Grant-in-aid received from BIS		703,518			
Net Financing		***703,518***			
Dividend payable from distributable reserves					
Minority interest capital contribution					
Net increase/(decrease) in cash and cash equivalents in the period before adjustment for receipts and payments to the Consolidated Fund		**23,797**			
Net increase/(decrease) in cash and cash equivalents in the period after adjustment for receipts and payments to the Consolidated Fund		**23,797**			
Cash and cash equivalents at the beginning of the period		**10,566**			
Cash and cash equivalents at the end of the period		**34,363**			

During 2014-15, £40 million of cash was transferred out of the Departmental Group. Cash transfers relate to the reclassification of Pirbright Institute from Central Government to the Non-Profit Institutions Serving Households sector by the ONS in March 2014 and the closure of Consumer Futures (the operating name of the National Consumer Council) and transfer of activities to successor bodies as a result of an Order under the Public Bodies Act from 31 March 2014.

The Notes on pages 12 to 54 form part of these Accounts.

Statement of Changes in Taxpayers' Equity

for the year ended 31 March 2015	Note	General reserve £000	Revaluation reserve £000	**Taxpayers' equity £000**	**Total Reserves £000**
Balance at 1 April 2014		**590,722**	**89,682**	680,404	680,404
Grants from parent department (BIS)		703,518	-	703,518	703,518
Net expenditure for the year		(699,831)	-	(699,831)	(699,831)
Other Comprehensive Net Expenditure/Income for the year		(74,254)	82,313	8,059	8,059
Transfers between reserves		29,240	(29,240)	-	-
Other movements		15,974	-	15,974	15,974
Balance at 31 March 2015		**565,369**	**142,755**	**708,124**	**708,124**

The Notes on pages 12 to 54 form part of these Accounts.

Notes to the Accounts

1. Statement of Accounting Policies

** Further analysis and review to be undertaken which could lead to a reduction in the length and disclosures within the accounting policies note*

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 2014-5 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 2014/15

All International Financial Reporting Standards, Interpretations and Amendments to published standards, effective at 31 March 2015, have been adopted in these financial statements, taking account the specific interpretations and adaptations included in the FReM.

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 2014 per FReM) - IASB have issued new and amended standards that affect the consolidation and reporting of subsidiaries, associates and joint ventures.

IAS 19 – Employee Benefits – Amends the standard to clarify the requirements that relate to how contributions from employees or third parties that are linked to service should be attributed to periods of service.

IAS 32 – Financial Instruments: Presentation – Amendments to the offsetting of assets and liabilities focussed on four main areas:

- The meaning of 'currently has a legally enforceable right of set-off'
- The application of simultaneous realisation and settlement
- The offsetting of collateral amounts
- The unit of account for applying offsetting requirements

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 13 – Fair Value Measurement – (effective for periods beginning on or after 1 January 2015 per FReM – early adoption not permissable) - 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). Final details are currently under consultation and further impact of how this will affect the MRC will be addressed when these details are announced.

IFRS 9 Financial Instruments: Classification and Measurement (at its November 2014 meeting the IASB decided that the mandatory effective date for IFRS 9 will be no earlier than for periods beginning on or after 1 January2018) – 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. MRC will undertake an assessment of the impact of IFRS 9 once the full requirements are known.

IFRS 15 – Revenue from Contracts with Customers – (effective for periods beginning on or after January 2017) – IFRS15 provides for a single, principles based five-step model to be applied to all contracts with customers. Guidance is provided on topics such as the point in which the revenue is recognised, accounting for variable consideration, costs of fulfilling and obtaining a contract and various related matters. New disclosures around revenue are also introduced.

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 2014-15 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 thousand.

c. Changes in accounting policy

There are no changes in accounting policy in the 2014/15 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 (CRICK); and Imanova Limited (Imanova).

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.

CRICK is accounted for at cost to MRC. Imanova is accounted for using the equity method.

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.

Unlisted investments are shown at cost. Any surplus or temporary deficit on revaluation is taken to the revaluation reserve. Any permanent impairment in value is charged to the Statement of Comprehensive Net Expenditure in the year in which it arises.

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 ab 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. Notional service charge

The MRC receive support services from UK SBS Ltd, which is owned by Department for Business, Innovation and Skills. Rather than transact directly with UKSBS, the department has implemented a recharging solution whereby MRC administration grant levels are reduced, and the Department pays UK SBS on behalf of the council. For 2014-15 this charge was £6,113k (2013-14 £6,113k).

q. Cash and cash equivalents

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

r. 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 Comp rehensive Net Expenditure.

s. 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.

t. 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.

u. 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 1.30 per cent (2013/14 1.80 per cent). The unwinding of the discount has been charged to the Statement of Comprehensive Net Expenditure.

v. 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.

w. 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).

x. 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.

y. 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 specify a pre-agreed payment profile or other matching considerations, obligations are recognised in full.

z. 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 2015 on a non-discounted basis.

aa. 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.

ab. 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-lifed and accounted for accordingly.

ac. 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 recoverable amounts. 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.

ad. 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. Reporting by operating segment

the Medical Research Council reports its expenditure by operating segment in accordance with IFRS 8 *Operating Segments.*

2.1 Reconciliation between Operating Segments and the Statement of Comprehensive Net Expenditure

** Not populated but shown to give an indication of the type of note and also amount of disclosure*

	Reportable Segment 1 £000	Reportable Segment 2 £000	Reportable Segment 3 £000	Reportable Segment 4 £000	Reportable Segment 5 £000	Reportable Segment 6 £000	Reportable Segment 7 £000	Reportable Segment 8 £000	Reportable Segment 9 £000	Reportable Segment 10 £000	**Total** **£000**
2014-15											
Total net expenditure per summary of operating cost by reporting segment											-
Less Capital DEL and AME expenditure											-
Total net operating costs by reporting segment	-	-	-	-	-	-	-	-	-	-	-
Reconciling items:											
Income											
Amortisation of Financial Guarantees											-
Launch investments and other investments realised											-
Share of minority interest											-
Profit on forward contracts											-
Non budget, non voted items in respect of BIS (Postal Services Act 2011) Company Ltd and Company B Ltd											-
Other differences											-
Expenditure											
Capital grants											-
Utilisation of Financial Guarantees											-
Bad debt write-offs											-
Current grants											-
Grant in aid											-
Adjustments for components not consolidated											-
Adjustments for components with different reporting dates											-
Share of profit/loss of joint ventures & associates											-
Share of profit/loss of joint ventures & associates											-

Prior year adjustment											-
Expected return on pension scheme assets											-
Other differences											-
Total net expenditure per Consolidated Statement of Comprehensive Net Expenditure	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

3. Staff numbers and related costs

Staff costs comprise:

	2014-15 £000			2013-14 £000
	Permanently employed staff	Others	Total	Total
Wages and salaries	108,667	3,064	**111,731**	
Social security costs	9,023	-	**9,023**	
Other pension costs	20,821	-	**20,821**	
Sub total	**138,511**	**3,064**	**141,575**	**-**
Less recoveries in respect of outward secondments			**-**	
Total net costs	**138,511**	**3,064**	**141,575**	**-**

Of which:	2014-15			2013-14	
		Parent			
Admin		14,114			
Programme		127,461			
Total net costs		**141,575**			

Average number of persons employed

The average number of whole-time equivalent persons employed during the year is shown in the table below.

Number of staff by category	Permanent employed staff
Science	1,049
Research project support	569
Infrastructure and Administration	307
Technical services	518
Locally employed staff (overseas)	1441
Total	**3,884**

3.1 Reporting of Civil Service and other compensation schemes - exit packages

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	2014-15	2013-14	2014-15	2013-14	2014-15	2013-14
Less than £10,000	3	6	45	1	48	7
£10,000 - £25,000	11	9	39	8	50	17
£25,000 - £50,000	5	10	8	4	13	14
£50,000 - £100,000	2	5	4	11	6	16
£100,000 - £150,000	0	0	1	2	1	2
£150,000 - £200,000	0	0	0	0	0	0
More than £200,000	0	0	0	0	0	0

Total number of exit packages	**21**	**30**	**97**	**26**	**118**	**56**
Total cost of exit packages (£000)	**£491**	**921**	**1,539**	**1,192**	**2,030**	**2,112**

Redundancy and other departure costs have been paid in accordance with the provisions of the Civil Service Compensation Scheme, a statutory scheme made under the Superannuation Act 1972. Exit costs are accounted for in full in the year that the departure is agreed and are based on the expected cost in relation to that financial year.

3.2 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.

During the year obligations of £9m of were recognised under Section 75 (S.75)of the 1995 pensions Act in respect of liabilities of transferred employees; a separate section, the University section, has been set up within MRCPS to manage S.75 liabilities. These costs are reflected in the valuation of the pension Scheme.

The required MRCPS contribution rate is assessed every three years in accordance with advice of the Government Actuary. The latest actuarial assessment of the MRCPS was at 31 December 2013 at which showed a surplus of £160.1m (2010 valuation £82.1m) and the market value of the assets of the MRCPS was £1,054m (2010 = £884m). an ongoing funding level of 118 per cent (2010 valuation 110 per cent). The actuarial value of the assets was sufficient to cover 118 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 present MRCPS employers' contribution rate remained at 13% in 2014/15 (2013/14 – 13%) but will rise to 14% in 2015/16

The contributions due to the scheme are set out in the schedule of contributions for each section. The most recent schedules of contributions were signed on 10 December 2014 and are due to be reviewed following the next actuarial valuation o f the scheme which is due to be carried out as at 31 December 2016.

The following payments are due in 2015/16:

MRC Section
By the members: 6.5% of pensionable pay
By MRC: 14.0% of pensionable pay
By other employers: 14.9% of pensionable pay

The total contribution expected to be paid into the MRC section in 2015/16 is £17m.

University Section
By the members: 6.5% of pensionable pay
By the universities: 14.9% of pensionable pay
By MRC : 21.4% of pensionable pay

The total contribution expected to be paid into the university section in 2015/16 is £10m.

As at 30 September 2014 the average maturity of the scheme as a whole was around 20 years.

The valuation used for IAS 19 disclosures has been based on the data for the most recent actuarial valuations as at 31 December 2013, and updated to take account of the requirements of IAS 19 in order to assess the liabilities of the scheme at 31 March 2015. 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

	2014/15	**2013/14**

	%	%
Rate of increase on pensionable salaries	2.85	3.25
Rate of increase on pension payments	1.85	2.25
Discount rate	3.10	4.29
Inflation rate	1.85	2.25
Expected return on equities	3.10	4.29
Expected return on bonds	3.10	4.29
Expected return on overall fund	3.10	4.29

The results of any actuarial calculation are inherently uncertain because if the assumptions which must be made. The table below indicates the approximate effects on the actuarial liability as at 31 March 2015 of changes to the main actuarial assumptions.

Change in assumption		**Approximate effect on total liability**	
Discount rate	-1/2% a year	+10.5%	+£127m
Rate of increase in earnings	-1/2% a year	-1.5%	-£18m
Rate of increase in pensions	-1/2% a year	-7.0%	-£84m
Removing age rate for pensioner mortatilty		+2.5%	+£30m

b. Analysis of actuarial (loss)/gain

	2014/15	**2013/14**
	£000	**£000**
Actual return less expected return on pension scheme assets	93,422	38,050
Experience gain arising on the scheme liabilities	1,481	12,998
Changes in demograhic assumptions	(2,027)	974
Changes in financial assumptions	(167,130)	47,028
Actuarial (loss)/gain	**(74,254)**	**99,050**

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

	2014/15	**2013/14**	**2012/13**	**2011/12**	**2010/11**
	%	**%**	**%**	**%**	**%**
Actual return less expected return on pension scheme assets	7.60	3.51	6.06	-4.12	1.02
Experience gain/(loss) arising on the scheme liabilities	0.12	-1.29	1.65	0.33	-3.98
Actuarial (loss)/gain	(6.17)	9.81	-5.94	-6.81	-7.24

d. The assets and liabilities in the scheme

	2014/15	**2013/14**	**2012/13**	**2011/12**	**2010/11**
	£000	**£000**	**£000**	**£000**	**£000**
Assets					
- Equities and property	985,883	925,159	877,449	787,429	778,855
- Bonds and cash	241,873	158,261	128,944	112,708	121,669
	1,227,755	**1,083,420**	**1,006,393**	**900,137**	**900,524**
Actuarial value of liability	(1,204,861)	(1,009,683)	(1,040,420)	(887,192)	(832,945)

Surplus/(Deficit) in scheme	**22,894**	**73,737**	**(34,027)**	**12,945**	**67,579**

e. The movements in the scheme surplus

	2014/15	2013/14
	£000	**£000**
Surplus at the start of the year	**73,737**	**(34,027)**
Current service costs net of employee contributions (note 8a)	(20,821)	(21,868)
Employer contributions	41,069	31,963
Other finance income (note 9f)	3,163	(1,381)
Actuarial (loss)/gain (note 9b)	(74,254)	99,050
Surplus at end of year	**22,894**	**73,737**

f. Other finance income

	2014/15	2013/14
	£000	**£000**
Expected return on pension scheme assets	46,479	40,860
Interest on pension scheme liabilities	(43,316)	(42,241)
Net return – other finance income (note 9e)	**3,163**	**(1,381)**

4. Other Administration Costs

		2014-15 £000		2013-14 £000
Rental under operating leases - plant and machinery	1			
Rentals under operating leases - other	749			
Accommodation	955			
Bank charges	3			
Professional services	762			
Consultancy	59			
Finance and HR services	29			
IT costs / support costs	4,869			
Training and other staff costs	669			
Staff severance costs	457			
UK travel and subsistence	508			
Overseas travel and subsistence	159			
Telecommunications cost	75			
Advertising and publicity	45			
Audit fees	145			
Professional subscriptions	133			
Net loss/(gain) on foreign exchange	(9)			
Postage and freight	21			
Hire of conference facilities	144			
Catering services	95			
Miscellaneous other costs	210			
Other audit costs	301			
	10,380			
Non-cash expenditure	1			
Total other administration costs	**10,381**			

The cash audit costs of £145 (2013-14: £-) relate to the statutory audit of the Medical Research Council. Of this amount, £X (2013-14: £X) was payable to the NAO and £X (2013-14: £X) was payable to auditors other than the NAO.

In 2014-15 [no amounts] were payable to the NAO (2013-14: £X) and £X was payable to auditors other than the NAO (2013-14: £X) for non-audit services.

5. Programme Costs

	2014-15 £000		2013-14 £000	
Rental under operating leases - plant and machinery	8			
Rentals under operating leases - other	2,485			
Accommodation	29,277			
Bank charges	17			
Professional services	3,255			
Consultancy	483			
IT costs / support costs	3,912			
Training and other staff costs	2,242			
Staff severance costs	3,605			
UK travel and subsistence	2,092			
Overseas travel and subsistence	1,722			
Telecommunications cost	709			
Advertising and publicity	1,953			
Research and development	34,404			
International subscriptions	16,646			
Professional subscriptions	223			
Net loss/(gain) on foreign exchange	(998)			
Legal costs	814			
Postage and freight	2,304			
Hire of conference facilities	1,032			
Catering services	750			
Outsourced programme management services	4,773			
Miscellaneous other costs	41,324			
Losses and compensation	77			
Other grant and research expenditure	523,227			
Other audit costs	70			
Purchase of scientific equipment	3,855			
	680,260			**-**
Non-cash expenditure	-			-
Total other Programme costs	**680,260**			**-**

Non-cash expenditure is analysed as follows:

	Note	2014-15 £000			2013-14 £000
Depreciation PPE		27,159			
Amortisation intangible assets		22,571			
Loss on disposal of PPE		477			
Impairment PPE		1,781			
Impairment investments		805			
Interest on pension liabilities		43,316			
Specific bad debt write offs		35			
Provisions expense - early departure		(5)			
Provisions movement		(1,836)			
Change in price levels - other provisions		80			
Borrowing costs (unwinding of discount) on provisions		60			
Total non-cash expenditure		**94,443**			

Auditors' remuneration

The cash remuneration of £X (2013-14: £X) relates to the statutory audit of the Medical Research Council. £X (2013-14: £X) was payable to the NAO and £X (2013-14: £X) was payable to auditors other than the NAO.

During the reporting period fees of £X (2013-14: £X) in relation to non-audit work were payable to the NAO (2013-14: £X) and fees of £X (2013-14: £X) were payable to auditors other than the NAO.

5.2 Other grant and research expenditure

	Note	2014-15 £000			2013-14 £000
Research grants		218,036			
Programme grants		46,229			
Centre grants		15,743			
Trial grants		14,838			
New Investigator Research Grant		10,298			
University Units		84,237			
Translational Research		15,133			
Research studentships/ advance course studentships		28,512			
Post-doctoral fellowships		42,595			
Other		47,606			
Total non-cash expenditure		523,227			

6. Income

	Note	2014-15 £000 Parent	2014-15 £000 Group	2013-14 £000 Parent	2013-14 £000 Group
Administration Income:					
Fees and charges from external customers					
Bank interest		4	4		
Miscellaneous income		7	7		
Other administration income		95	95		
Total Administration income		***106***	***106***	**-**	**-**
Programme Income:					
Current grants from EU		6,035	6,035		
Current grants from private sector - companies		1,690	1,690		
Sales of goods and services		93,903	93,903		
Current grants from central government		23,610	23,610		
Bank interest receivable		21	21		
Rental income		543	543		
Miscellaneous programme income		3,994	3,994		
Other programme income		50,444	50,444		
Programme income excluding non-cash		***180,240***	***180,240***	**-**	**-**
Non-cash:					
Expected return on funded pension scheme assets		46,479	46,479		
Other non-cash income					
Non-cash programme income		***46,479***	***46,479***	**-**	**-**
Total programme income		***226,719***	***226,719***	**-**	**-**
Total operating income		**226,825**	**226,825**	**-**	**-**

7. Property, plant and equipment

2014-15	Land	Freehold Buildings	Dwellings	Leasehold Improvements	Information Technology	Plant and Machinery	Furniture, Fixtures and Fittings	Transport Equipment	Assets under Construction	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000	£000
Cost or valuation										
At 31 March 2014	**107,585**	**447,729**	**-**	**-**	**11,978**	**183,257**	**888**	**3,233**	**19,903**	**774,573**
Additions	-	5,031	-	-	2,850	19,404	737	177	-	28,199
Disposals	(65)	(372)	-	-	(1,992)	(19,013)	(191)	(257)	-	(21,890)
Impairments	-	(3,807)	-	-	-	-	-	-	-	(3,807)
Transfers in/(out) of boundary	-	-	-	-	-	-	-	-	-	-
Reclassifications	-	1,531	-	-	264	13,378	-	-	(16,869)	(1,696)
Revaluations	40,296	28,154	-	-	-	4,046	63	(18)	-	72,541
At 31 March 2015	**147,816**	**478,266**	**-**	**-**	**13,100**	**201,072**	**1,497**	**3,135**	**3,034**	**847,920**
Depreciation										
Balance at 1 April 2014	**-**	**(151,784)**	**-**	**-**	**(9,310)**	**(118,170)**	**(654)**	**(2,562)**	**-**	**(282,480)**
Charged in year		(10,750)	-	-	(2,129)	(13,689)	(330)	(260)		(27,158)
Disposals		273	-	-	1,982	18,118	189	253		20,815
Impairments		-	-	-	-	-	-	-		-
Transfers (in)/out of boundary		-	-	-	-	-	-	-		-
Reclassifications		200	-	-	-	-	-	-		200
Revaluations		(19,081)	-	-	-	(2,345)	(14)	16		(21,424)
At 31 March 2015	**-**	**(181,142)**	**-**	**-**	**(9,457)**	**(116,086)**	**(809)**	**(2,553)**	**-**	**(310,047)**
Carrying amount at 31 March 2015	**147,816**	**297,124**	**-**	**-**	**3,643**	**84,986**	**688**	**582**	**3,034**	**537,873**
Carrying amount at 31 March 2014	**107,585**	**295,945**	**-**	**-**	**2,668**	**65,087**	**234**	**671**	**19,903**	**492,093**
Asset financing:										
Owned		299,153	-	-	3,643	84,986	689	580		389,051
Finance leased			-	-	-	-	-	-		-
On balance sheet (SoFP) PFI and other service concession arrangements					-					-

Carrying amount at 31 March 2015	**-**	**299,153**	**-**	**-**	**3,643**	**84,986**	**689**	**580**	**-**	**389,051**
Of the total:										
Parent										-
Other bodies in Group										-
Carrying amount at 31 March 2015	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

8. Intangible Assets

Group **2014-15**	**Assets under Construction** **£000**	**Information Technology** **£000**	**Software Licences** **£000**	**Websites** **£000**	**Development Expenditure** **£000**	**Patents** **£000**	**Licences & Trademarks** **£000**	**Goodwill** **£000**	**Total** **£000**
Cost or Valuation									
Balance at 1 April 2014	**-**	**-**	**1,803**	**-**	**-**	**216,030**	**-**	**-**	**217,832**
Additions	-	-	-	-	-	-	-	-	-
Disposals	-	-	(392)	-	-	-	-	-	(392)
Impairments	-	-	-	-	-	-	-	-	-
Reclassifications	-	-	86	-	-	-	-	-	86
Transfers in/(out)	-	-	-	-	-	-	-	-	-
Revaluations	-	-	-	-	-	31,393	-	-	31,393
At 31 March 2015	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**248,920**
Amortisation									
Balance at 1 April 2014		**-**	**(1,791)**	**-**	**-**	**(165,508)**	**-**		
Charged in year		-	(55)	-	-	(22,515)	-		
Disposals		-	392	-	-	-	-		
Impairments		-	-	-	-	-	-		
Reclassifications		-	-	-	-	-	-		
Transfers in/(out)		-	-	-	-	-	-		
Revaluations		-	-	-	-	-	-		
At 31 March 2015	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Carrying amount at 31 March 2015	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Carrying amount at 31 March 2014	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Asset financing:									
Owned		-	43	-	-	59,399	-	-	59,443
Finance leased									
Contracts									
Carrying amount at 31 March 2015	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Of the total:									
Parent		-	43	-	-	59,399	-	-	59,443
Group		-	43	-	-	59,399	-	-	59,443
Carrying amount at 31 March 2015	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Group **2013-14**	**Assets under Construction** **£000**	**Information Technology** **£000**	**Software Licences** **£000**	**Websites** **£000**	**Development Expenditure** **£000**	**Patents** **£000**	**Licences & Trademarks** **£000**	**Goodwill** **£000**	**Total** **£000**
Cost or Valuation									
At 1 April 2013									**-**
Additions									-
Disposals									-
Impairments									-
Reclassifications									-
Transfers in/(out)									-
Revaluations									-
At 31 March 2014	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Amortisation									
At 1 April 2013									**-**
Charged in year									-
Disposals									-
Impairments									-
Reclassifications									-
Transfers in/(out)									-
Revaluations									-
At 31 March 2014	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Carrying amount at 31 March 2014	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Carrying amount at 1 April 2013	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Asset financing:									
Owned									
Finance leased									

Contracts									
Carrying amount at 31 March 2014	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Of the total:									
Parent									
Group									
Carrying amount at 31 March 2014	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Carrying amount at 1 April 2013	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Of the total:									
Parent									
Group									
Carrying amount at 1 April 2013	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

9. Capital and other Commitments

9.1 Commitments under leases

Operating leases

Total future minimum lease payments under operating leases are given in the table below for each of the following periods:

	31 March 2015 £000		31 March 2014 £000	
Obligations under operating leases comprise:				
Not later than one year	4,599			
Later than one year and not later than five years	4,523			
Later than five years	-			
	9,122	**-**	**-**	**-**

9.2 Capital Commitments

	31 March 2015 £000		31 March 2014	
Contracted capital commitments not otherwise included in these financial statements:				Group
Capital expenditure	1,912			
Research awards:				
Not later than one year	502,321			
Later than one year and not later than five years	506,157			
Later than five years	2,386			

10. Investments in Joint Ventures and Associates

	31 March 2015		31 March 2014	
	£000	£000	£000	£000
Balance at 1 April	**231,048**	**231,048**		
Additions	38,043	38,043		
Impairments	(805)	(805)		
Balance at reporting date	**268,286**	**268,286**	**-**	**-**

* *At the current time the same narrative has been included but continued review necessary to identify possible reduction in narrative.*

The Francis Crick Institute 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 the Francis crick Institute Ltd. 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 the Francis Crick Institute 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 Ltd upon as part of the JVA and became a wholly owned subsidiary of the Francis Crick Institute Ltd. The funding of the project has been by capital contributions leading to shares. The MRC investment in the Francis Crick Institute Ltd is represented by issued shares.

Shares are issued in respect of payments and these are accounted for as investments in return for providing the Francis Crick Institute with in year funding under the joint venture agreement of £38.0m, the Francis Crick Institute agreed to issue the Council ordinary shares in the Francis Crick Institute to the same value. In addition at the year end the Francis Crick Institute owed the Council £148,577 (2013-14 £116,349) and the Council owed the Francis Crick Institute £0 (2013-14 £1,510,111).

A lease was made between the original founders and the Francis Crick Institute Ltd on 7th June 2012 granting lease of land at Brill Place, Camden, London (site of the Francis Crick Institute) to the Francis Crick Institute Ltd. 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 £51,163,866 and reflected in the financial statements accordingly, (2013-14 - £49,500,000).

12b. IFRS 7 Financial Instruments: Disclosure requires the disclosure of information which will allow users of financial statements to evaluate the significance of financial instruments on MRC’s financial performance and position and the nature and extent of MRC’s exposure to risks arising from these instruments.

As the cash requirements of MRC are largely met through the Estimates process, financial instruments play a more limited role in creating risk than would apply to a non-public sector body of a similar size.

MRC is exposed to credit, liquidity and market risk due to the specific programmes and activities undertaken in pursuance of its objectives. However, these risks are mitigated through internal procedures and are not deemed to be material in value, unless otherwise stated.

11. Trade receivables, financial and other assets

	31 March 2015 £000	31 March 2014 £000	1 April 2013 £000
Amounts falling due within one year:			
Trade receivables	15,646		
VAT and other taxation	(700)		
Staff receivables	338		
Other	1,569		
Prepayments and accrued income	57,583		
	74,436	**-**	**-**
Amounts falling due after more than one year:			

Total Receivables	**74,436**	**-**	**-**

11.1 Intra-Government Balances

	Amounts falling due within one year			Amounts falling due after more than one year		
	31 March 2015	31 March 2014	1 April 2013	31 March 2015	31 March 2014	1 April 2013
	£000	£000	£000	£000	£000	£000
Balances with:						
Other central Government bodies	116					
Local authorities	-					
NHS bodies	229					
Public corporations and trading funds	-					
Subtotal: Intra-Government balances	*345*	-	-	-	-	-
Bodies external to Government	74,790					
Total receivable at period end date	**75,135**	**-**	**-**	**-**	**-**	**-**

12. Cash and cash equivalents

	31 March 2015	31 March 2014
	£000	£000
Balance as at 1 April	**-**	
Net change in cash and cash equivalent balances	5,862	
Balance as at period end date	**5,862**	**-**
The following balances at 31 March were held at:		
The Government Banking Service (GBS)	1,705	
Commercial banks and cash in hand	4,157	
Balance at period end date	**5,862**	**-**
Less overdraft		
Total	**5,862**	**-**

13. Trade payables and other current liabilities

	31 March 2015	31 March 2014	1 April 2013
	£000	£000	£000
Amounts falling due within one year:			
Trade payables	95,813		
Other payables	590		
Accruals and deferred income	150,703		
	247,106	**-**	**-**
Amounts falling due after more than one year:			
Other payables, accruals and deferred income	10,913		
Bank and other borrowing			
	10,913	**-**	**-**
Total payables	**258,019**	**-**	**-**

13.1 Intra-Government Balances

	Amounts falling due within one year			Amounts falling due after more than one year		
	31 March 2015	31 March 2014	1 April 2013	31 March 2015	31 March 2014	1 April 2013
	£000	£000	£000	£000	£000	£000
Balances with:						
Other central government bodies	668					
Local authorities	-					
NHS bodies	147					
Public corporations and trading funds	-					
Subtotal: Intra-Government balances	*815*	-	-	-	-	-
Bodies external to government	249,253			10,913		
Total payables at period end date	**250,068**	**-**	**-**	**10,913**	**-**	**-**

14. Provisions for liabilities and charges

	31 March 2015						
		Decommissioning costs	Other	Total	Early departure costs	Decommissioning costs	Ot
		£000	£000	£000	£000	£000	£0
Balance at 1 April		9,723	**5,825**	**15,549**	**-**	-	
Provided in the year		-	252	178			
Provisions not required written back		(2,014)	-	(2,019)			
Provisions utilised in the year		(6,120)	(751)	(6,871)			
Changes in price level		-	-	80			
Borrowing costs (unwinding of discount)		-	-	60			
Balance at reporting date		**1,589**	**5,388**	**6,977**	**-**	**-**	

Analysis of expected timing of discounted cash flows

	31 March 2015 £000				31 March 2014 £000					
		Decommissioning costs	Other provisions	Total	Early departure costs	Decommissioning costs	Other provisions	Total	Early departure costs	D
Current liabilities:								-		
Not later than one year		978	2,490	3,468				-		
Non-current liabilities:				-				-		
Later than one year and not later than five years		611	1,477	2,088				-		
Later than five years				-				-		

Total non-current liabilities		611	1,477	2,088	-	-	-	-	-	
Total		**1,589**	**5,388**	**6,977**	**-**	**-**	**-**	**-**	**-**	

16. Contingent Liabilities

MRC has the following contingent liabilities:

Basis of Recognition	**Description**
Quantifiable	
Dilapidation	£1.7m in respect of dilapidation works which may be required at the end of the property leases expected to end within the next ten years.

17. Related-party transactions

* Further analysis to be considered for related-party transactions for disclosure within the accounts ensuring they are all relevant under IAS24. This will also assist in the reduction of the disclosures to be made when compared with the MRC signed 2014-15 accounts.

18. Events after the Reporting Period

IAS 10 Events after the reporting period 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 xx June 2015. The financial statements do not reflect events after this date.

The MRC's National Institute for Medical Research with 541 employees and 82 postgraduate students transferred to the Francis Crick Institute on 1 April 2015; assets with a net book value of £12,525,876 transferred at the same time. Staff and equipment will remain at their existing locations until they move into the new Institute at St Pancras in early 2016.