



Medical Research Council
Annual Report and Accounts 2019-20

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Presented to Parliament pursuant to paragraphs 2(2) and 3(3) of Schedule 1 to the Science and Technology Act 1965

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PERFORMANCE REPORT

OVERVIEW

The purpose of the Performance Report overview is to provide a summary of the Medical Research Council (MRC), its purpose, its key activities during the reporting period, and the key risks to the achievement of its objectives.

STATEMENT OF MRC'S PURPOSE AND ACTIVITIES

From 1 April 2018 all MRC operations, including staff, and assets and liabilities are carried out by United Kingdom Research and Innovation (UKRI). The UKRI Annual Report and Accounts, including commentary on former MRC operations (UKRI-MRC) is available online at:

<https://www.ukri.org/files/ukri-annual-report-2020/>

The Higher Education and Research Act 2017 (HERA) established UKRI as a new body corporate (s91) and established that Research Councils, including the MRC, would cease to exist (s109) as independent legal entities. The act also states that "a property transfer scheme¹ made by the Secretary of State under Schedule 10 in connection with a research council must, in particular, make provision for the transfer of the symbolic property of the council to UKRI" (s109(3)).

Legal advice received stated that the property transfer scheme would be binding under English and Scottish law and would automatically transfer ownership of all assets to UKRI without the need for further legal documentation, but that the property transfer scheme might not be recognised by other jurisdictions. It was therefore agreed with BEIS and their appointed lawyers that contracts/agreements which were not governed by English or Scottish law would need to be legally novated to secure the related rights and obligations.

In addition, the transfer of many assets, whilst automatic under the property transfer scheme, also needed to be formally registered with relevant official bodies, such as patents (Intellectual Property Offices across the world), properties and leases (Land Registry), and operating licences (e.g. Environment Agency, MHRA).

All these activities could not take place before 1st April 2018, as UKRI did not legally exist as a corporate body until that date, as a result the MRC continued to exist as a separate legal entity.

ADOPTION OF THE GOING CONCERN BASIS

Following the transfer of operations to UKRI on 1 April 2018 under the Higher Education & Research Act 2017 MRC has ceased operations and will receive no funding and consequently is no longer considered a going concern.

The Council and Accounting Officer are of the opinion that no adjustments are necessary as a result of the accounts being prepared on a basis other than going concern.

¹ Schedule 10 of HERA provides the following definition: "property transfer scheme" is a scheme for the transfer from a permitted transferor of any property, rights or liabilities, other than rights or liabilities under or in connection with a contract of employment, to a permitted transferee." (sch10(1)(3)).

PERFORMANCE SUMMARY

To support its research activities, the MRC regularly entered into collaboration agreements, material transfer agreements and confidentiality agreements. To enable the translation and exploitation of results, many discoveries have been formally patented. The two main types of agreement that need to be legally registered or transferred to UKRI are:

- Intellectual property - there are 1,303 patent cases covering 75 separate legal jurisdictions.
- Novation of Agreements – Based on due diligence, there are approximately 1413 agreements with over 40 different governing law which need to be formally novated.

Progress as at 31 March 2020 is shown in *Table 1* below

Asset Type	Overall number	Transfer completed	Progress as of March 2020
Patent cases	1303*	1203	1203 out of 1303 cases completed at the end of March 2020, or 92%.
Non UK Law Contracts Novations	1413*	50	Estimated number of novations = 1413 Novations sent=213 Novation completed=50
Foreign shareholdings	6	1	UKRI board resolution passed in March 2020 to confirm authority to transfer shares enabling work to resume
Real estate	24	23	Signing process interrupted by COVID-19 related lockdown
Clinical Trial sponsorship	6	6	All sponsorship transfers completed

*numbers are estimated on the basis of analysis to March 2020

Table 1

It is anticipated that the remaining transfers will not be completed by 31 March 2021, as progress has been significantly impacted by the COVID-19 pandemic and related lockdowns. UKRI, as MRC's successor organisation, therefore have asked for an extension and BEIS are aware of the request and are considering it.

Professor Fiona Watt
Accounting Officer

25 November 2020

ACCOUNTABILITY REPORT

CORPORATE GOVERNANCE REPORT

DIRECTORS' REPORT

MRC COUNCIL

Council is the governing body for MRC and is established by the Royal Charter. Its members are appointed by the Secretary of State for BEIS. The CEO is a full member of Council. The Council was comprised of a combination of non-executive directors from academia and industry.

Ministerial approval was obtained for an MRC legacy Council to be retained during the transition period.

The members of the legacy Council, during 2019/20 were:

	Appointment: From	To
Sir Donald Brydon (Chair)	1/10/2012	31/03/2021
Professor Fiona Watt (CEO)	1/04/2018	31/03/2021
Dr John Brown	1/10/2014	31/03/2021
Professor Dame Janet Finch	1/10/2014	31/03/2021
Professor John Iredale	1/12/2016	31/03/2021
Mr Richard Murley	1/03/2017	31/03/2021
Dr Menelas Pangalos	1/10/2012	30/09/2020
Professor Jill Pell	1/11/2018	31/03/2021
Professor Sir Munir Pirmohamed	1/11/2018	31/03/2021
Professor Eleanor Riley	1/11/2018	31/03/2021
Dr Graham Spittle	1/11/2018	31/03/2021
Professor Irene Tracey	1/11/2018	31/03/2021
Dr Pauline Williams	1/11/2018	31/03/2021

The legacy Council did not have cause to meet during 2019/20.

MRC CHIEF EXECUTIVE

Professor Fiona Watt was appointed, from 1 April 2018, to the role of MRC Chief Executive and Accounting Officer to cover the transition period.

STATEMENT OF THE ACCOUNTING OFFICER'S RESPONSIBILITIES

Under Section 2(2) of the Science and Technology Act 1965, the Council is required to prepare a statement of accounts in the form and on the basis directed by the Secretary of State for Business, Energy and Industrial Strategy with the consent of the Treasury. The

accounts are prepared on an accruals basis and must give a true and fair view of the Council's state of affairs and of its income and expenditure, Statement of Financial Position and cash flows for the period.

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

- Observe the Accounts Direction issued by the Secretary of State, 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 FReM have been followed and disclose and explain any material departures in the financial statements.
- Prepare the financial statements on a going concern basis or other appropriate basis.
- Confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

The Secretary of State for BEIS had designated the Executive Chair of MRC as Accounting Officer. 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 MRC's assets are set out in *Managing Public Money* published by HM Treasury.

As the Accounting Officer, I have taken all reasonable steps to ensure that I am aware of any relevant audit information and to ensure that the Council's auditors are aware of that information. So far as I am aware, there is no relevant audit information of which the Council's auditors are unaware.

As the Accounting Officer, I have taken all reasonable steps to ensure that the annual report and accounts as a whole is fair, balanced and understandable and I take personal responsibility for the annual report and accounts and the judgements required for determining that it is fair, balanced and understandable.

GOVERNANCE STATEMENT

I confirm that there was no income or expenditure incurred by MRC for the year ended 31 March 2020. MRC operations, including all staff, assets and liabilities was transferred to UKRI from 1 April 2018 and there were no transactions thereafter following which there was no requirement for a full governance structure. All MRC operations are now incorporated in UKRI and will fall under the UKRI governance regime.

During the transition period, during which MRC will continue to exist as a separate legal entity, my role is to oversee the completion of the legal transfer of MRC assets to UKRI and the winding up of MRC in due course. I have delegated the running of the project to MRC's Chief Operating and Finance Officer, who has kept me updated. MRC Council have been also been kept abreast of the project. The transfer of assets is identified on MRC Risk Register, and subject to scrutiny at both MRC Executive and Council level.

REMUNERATION AND STAFF REPORT (AUDITED)

All MRC staff transferred to UKRI from 1 April 2018 and hence no remuneration was paid by MRC in the year to 31 March 2020.

The remuneration of Professor Fiona Watt is disclosed in the Remuneration Report in the UKRI 2019/20 accounts.

Members of the MRC Legacy Council are paid an attendance fee when they meet. As there were no meetings in 2019/20 no payments were made.

PARLIAMENTARY ACCOUNTABILITY AND AUDIT REPORT

REGULARITY OF EXPENDITURE (AUDITED)

I can confirm that for the year ended 31 March 2020 there have been no transactions by MRC and thus none that infringed the requirements of regularity as set out in Managing Public Money or that required Treasury approval.

Professor Fiona Watt

Accounting Officer

25 November 2020

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL OF THE HOUSES OF PARLIAMENT

Opinion on financial statements

I certify that I have audited the financial statements of the Medical Research Council for the year ended 31 March 2020 under the Science & Technology Act 1965. The financial statements comprise: The Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes, including the significant accounting policies. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion:

- the financial statements give a true and fair view of the state of Medical Research Council's affairs as at 31 March 2020 and net expenditure for the year then ended; and
- the financial statements have been properly prepared in accordance with the Science & Technology Act 1965 and Secretary of State directions issued thereunder.

Emphasis of Matter

Without qualifying my opinion, I draw attention to Note 1.1 of the financial statements concerning the Council and Accounting Officer's decision to prepare the financial statements on a basis other than going concern. The Council and Accounting Officer made this decision as a result of the Higher Education and Research Act 2017. In accordance with this legislation, on 1st April 2018, the staff, property, rights and liabilities of the Medical Research Council was transferred to a newly created body, UK Research and Innovation, and the Medical Research Council has ceased operations.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my certificate. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Medical Research Council in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Responsibilities of the Medical Research Council and Accounting Officer for the financial statements

As explained more fully in the Statement of Accounting Officer's Responsibilities, the Medical Research Council and the Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit, certify and report on the financial statements in accordance with the Science & Technology Act 1965.

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Medical Research Council's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of the Medical Research Council's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Medical Research Council's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Other Information

The Medical Research Council and the Accounting Officer are responsible for the other information. The other information comprises information included in the annual report but does not include the parts of the Accountability Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Secretary of State directions made under the Science & Technology Act 1965;
- in the light of the knowledge and understanding of the Medical Research Council and its environment obtained in the course of the audit, I have not identified any material misstatements in the Performance Report or the Accountability Report; and
- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

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

Report

I have no observations to make on these financial statements.

Gareth Davies

Date: 4 December 2020

Comptroller and Auditor General

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

STATEMENT OF COMPREHENSIVE NET EXPENDITURE FOR THE YEAR
ENDED 31 MARCH 2020

	Note	2019/20 £000	2018/19 £000
Income			
Total operating income		-	-
Expenditure			
Staff Costs	3	-	-
Research and development funding		-	-
Other operating expenditure		-	-
Total operating expenditure		-	-
Net Operating Expenditure		-	-
Net loss on transfer of assets and liabilities to UKRI		-	717,579
Finance income and expenditure		-	-
Net expenditure for the year		-	717,579
Other net comprehensive expenditure			
Total comprehensive net expenditure for the period ended 31 March 2020			
		-	717,579

The notes on pages 17 to 19 form part of these accounts.

STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2020

	2020 £000	2019 £000
	Note	
Non-current Assets		
Total non-current assets	-	-
Current assets		
Total current assets	-	-
Total assets	-	-
Current liabilities		
Total current liabilities	-	-
Total assets less current liabilities	-	-
Non-current liabilities		
Total non-current liabilities	-	-
Total assets less total liabilities	-	-
Taxpayers' equity and other reserves		
General fund	-	-
Total equity	-	-

The notes on pages 17 to 19 form part of these accounts.

Professor Fiona Watt
Accounting Officer

25 November 2020

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 MARCH 2020

	Notes	2020 £000	2019 £000
Cash flow from operating activities			
Net expenditure for the year	SoCNE	-	(717,579)
Adjustments for non-cash transactions		-	-
Add back loss on transfer of assets and liabilities		-	717,579
Net cash outflow from operating activities		-	-
Cash flow from investing activities			
Net cash outflow from investing activities		-	-
Net cash outflow before financing		-	-
Cash flows from financing activities			
Grant from sponsoring department		-	-
Net cash inflow from financing activities		-	-
Net increase/(decrease) in cash and cash equivalents		-	-
Cash and cash equivalents at the beginning of the year		-	30,890
Released on transfer of assets		-	(30,890)
Cash and cash equivalents at the end of the year		-	-

The notes on pages 17 to 19 form part of these accounts.

STATEMENT OF CHANGES IN TAXPAYERS' EQUITY FOR THE YEAR ENDED 31 MARCH 2020

	Revaluation reserve	Intellectual Property reserve	Pension reserve	General reserve	Total Government funds
Balance at 1 April 2018	41,131	62,660	122,293	491,495	717,579
Net expenditure for the year				(717,579)	(717,579)
Released on transfer to UKRI	(41,131)	(62,660)	(122,293)	226,084	-
At 31 March 2019	-	-	-	-	-
Net expenditure for the year	-	-	-	-	-
At 31 March 2020	-	-	-	-	-

The notes on pages 17 to 19 form part of these accounts.

NOTES TO THE ACCOUNTS

1. STATEMENT OF ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these financial statements are set out below. The policies have been applied consistently unless otherwise stated.

1.1 BASIS OF ACCOUNTING

These financial statements have been prepared in accordance with the Accounts Direction issued by the Secretary of State for the Department for Business, Energy and Industrial Strategy (BEIS) pursuant to Section 2(2) of the Science and Technology Act 1965.

These financial statements have been prepared in accordance with the 2019-20 Government Financial Reporting Manual (FReM). The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector.

Where the FReM permits a choice in accounting policy, the accounting policy judged to be most appropriate to the particular circumstances of MRC for the purpose of giving a true and fair view has been selected. The policies adopted by MRC are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

The financial statements are presented in pounds sterling and all values are rounded to the nearest thousand pounds (£'000), except where indicated otherwise.

TRANSFER OF THE ASSETS & LIABILITIES AND FUNCTION TO UKRI

The Higher Education and Research Bill received Royal Assent on 27 April 2017 confirming the creation of a single executive non-departmental public body, UK Research and Innovation (UKRI). Under the Higher Education and Research Act 2017, UKRI incorporated the assets, liabilities and functions of the seven Research Councils, Innovate UK and Government's funding of research in higher education on 1 April 2018.

The assets and liabilities of MRC were transferred to UKRI under transfer by absorption. The net loss on transfer of assets & liabilities has been disclosed in the MRC accounts as a non-operating loss.

A property transfer scheme automatically transferred certain classes of assets to UKRI on 1 April 2018. Transfer orders were required to cover those assets out of scope of the transfer scheme such as international agreements and certain regulatory permissions/licences.

GOING CONCERN

Following the transfer of operations to UKRI on 1 April 2018 under the Higher Education & Research Act 2017 MRC has ceased operations and will receive no funding and consequently is no longer considered a going concern. The MRC only exists for the purposes of completing legal asset transfers prior to dissolution

The Council and Accounting Officer are of the opinion that no adjustments are necessary as a result of the accounts being prepared on a basis other than going concern.

1.2 BASIS OF MEASUREMENT

These financial statements have been prepared under the historical cost convention modified to include the fair value of property, plant and equipment, intangible assets and financial instruments to the extent required or permitted under IFRS as set out in the relevant accounting policies.

1.3 NEW ACCOUNTING STANDARDS ADOPTED IN THE YEAR AND FREM CHANGES

There were no new accounting standards adopted in the year.

1.4 NEW STANDARDS, INTERPRETATIONS AND AMENDMENTS NOT YET ADOPTED

IFRS 16 *Leases* comes into force on 1 April 2021, replacing IAS17 *Leases*. It will have no impact on MRC as all MRC leases have been transferred to UKRI.

2. AUDITOR'S REMUNERATION

The auditor's remuneration is £8,400 (2018/19 - £8,000) and is borne by UKRI.

3. STAFF COSTS

	2019/20 £000	2018/19 £000
Salaries and wages - permanent	-	-
Salaries and wages – non-permanent	-	-
Social security costs	-	-
Pension costs	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>
Net Book Value At 31 March 2020	<hr/>	<hr/>
	-	-

4. CASH AND CASH EQUIVALENTS

	2019/20 £000	2018/19 £000
Balance at 31 March 2019	<hr/>	<hr/>
	-	-
Balance at 31 March 2020	<hr/>	<hr/>
	-	-

5. RELATED-PARTY TRANSACTIONS

MRC is a Non-Departmental Public Body sponsored by BEIS. For the purpose of IAS 24, BEIS and its partner organisations are regarded as related parties.

On 1 April 2018 MRC transferred its assets and liabilities to UKRI, a partner organisation of BEIS.

None of the MRC legacy Council members had any transactions with legacy MRC.

Related parties in relation to UKRI are disclosed in the UKRI accounts.

6. EVENTS AFTER THE REPORTING PERIOD DATE

In accordance with the requirements of IAS 10 Events after the Reporting Period, post Statement of Financial Position events are considered up to the date on which the Accounts are authorised for issue. This is interpreted as the same date as the date of the Certificate and Report of the Comptroller and Auditor General.

There have been no material events between the Statement of Financial Position date and the date the accounts were authorised for issue requiring an adjustment to the financial statements.

By 30 September 2020, the following changes on the asset transfers can be reported: identified 41 additional patent cases in scope of the project; completed 1228 patent recordals out of 1344 cases; estimated 1364 agreements to be novated (number is down as detailed review of outstanding agreements is progressing); managed 226 novations, of which 79 are completed; identified 1892 agreements for which only a notification is required, and sent notifications to 390 organisations to date. The project activities have been significantly delayed by the COVID-19 pandemic and related lockdowns across the world.

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