Andrew Miller MP, Chair
Science & Technology Committee
House of Commons
London
SW1P 3JA

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Dear Andrew

Science & Research Budget Changes in Spring Supplementary Estimate 2010-11

Thank you for your letter of 10 March seeking further clarification on the changes implemented in the Spring Supplementary Estimates.

The MRC has a portfolio of intellectual property (IP) assets, which take the form of patents. MRC licenses the use of these patents to pharmaceutical companies. These patent licences have a balance sheet value to MRC based on the expected future income during the fixed lifetime of the patent or licence. With the passing of each year the remaining value of these licences is reduced, which results in an amortisation charge, which is a resource budget charge to MRC. MRC of course receives the benefit of the annual licence fees. In addition, market-driven changes to future income flows can result in the impairment of the value of the IP with a consequent resource budget charge.

The income, costs and charges of MRC’s IP activity were not covered in the original CSR07 settlement in March 2007 and the Treasury has provided budget cover for the resource budget charge through the Estimates process. The BIS SR10 settlement does include appropriate budget cover for MRC’s IP activity and these costs should be managed within MRC’s budget going forward without the need for further budget cover from Treasury.
Turning to the Engineering and Physical Sciences Research Council, I should explain firstly that EPSRC's overall spending has not increased. The Council has been granted an adjustment of its budget mix, moving just over £9 million from Resource DEL into Capital DEL. This is because the Council has found that the balance has changed slightly between the resource and capital elements of its research programmes in the current year, resulting in a slightly higher capital component than it forecast at the start of the year.

THE RT HON' DAVID WILLETTS MP