



MINUTES OF THE TWENTY-NINTH MEETING HELD ON 23 MARCH 2010 AT THE QE2 CENTRE, LONDON

Council Members present: Michael Sterling (Chairman)
Martin Barstow
Marshall Davies
Mike Edmunds
Philip Greenish
Philip Kaziewicz
Peter Knight
Keith Mason
James Stirling

Dept. Business, Innovation & Skills (BIS) Paul Williams

In Attendance: Jenny Thomas (*Chair, Science Board*)
Gordon Stewart (*Executive Secretary to Council*)
Richard Wade (*Chief Operating Officer*)
Jane Tirard (*Director, Finance*)
Sharon Cosgrove (*Director, Strategy*) items 9-15
Terry O'Connor (*Director, Communications*)
Ruth Jeans (*Minute Secretary*)

Apologies: Keith Burnett

1. WELCOME

- 1.1 The Chairman welcomed members and attendees to the meeting. In particular, the Chairman thanked members for changing their arrangements at short notice in order to attend the Space Agency launch.
- 1.2 Apologies had been made to the Vice Chancellor and the university staff involved in planning Council's visit to Cardiff. The visit would be re-arranged at the earliest opportunity.
- 1.3 To mark Mike Edmunds last meeting, the Chairman on behalf of Council, presented him with gifts in recognition of the 5 years of outstanding support that he had given to PPARC and STFC's Councils, and wished him well for the future.
- 1.4 Mike reflected that since Council had been formed in 2007, there had

been many challenges and lessons to learn. However he welcomed the launch of the Space Agency this day as evidence of an increasingly positive way forward for STFC and the science community. He encouraged Council to continue to build confidence and strengthen its engagement with the executive and stakeholders, as well as developing its role to provide strategic advice to Government. He wished the Chairman, Council and STFC well for the future.

2. MINUTES OF THE MEETING HELD ON 23 FEBRUARY 2010

- 2.1 **Minute 4.14 - LHC delay in detector upgrades:** Richard Wade confirmed that the statement in the minutes had been checked with the source material and could be supported.
- 2.2 The minutes were agreed to be a correct record of the meeting, and were signed by the Chairman.

3. ACTIONS AND MATTERS ARISING

- 3.1 The actions from the last meeting were either ongoing, had been completed or would be dealt with under agenda items.

4. SPACE AGENCY IMPLEMENTATION

- 4.1 The Chairman noted that the key issues affecting STFC raised in the draft Council paper had been accepted by the Minister, who had provided assurance that STFC would not be worse off as a result of the establishment of the Agency. In particular it was recognised that STFC's planned reduction of its programme, announced following the December 2009 prioritisation exercise, included a reduction in space science spend over coming years.
- 4.2 Council formally **endorsed** the submission that had been presented to the Space Board in draft form at the beginning of March.
- 4.3 Richard Wade reported on the financial arrangements that had so far been agreed with the BNSC/Space Agency, (*subject to the outcome of the next CSR*), as follows:

Funding to remain with STFC:

- Grants to exploit the space programme – c£16.9M – to remain with STFC, to maximise the synergies in the ground and space based programmes. Under a “dual key” approach STFC would manage the process, with input to the decision-making and oversight of the peer review by the Space Agency. This level of funding is due to fall to £16.2m in 2011/12.

Funding and staff to be transferred to the Agency:

- **ESA subscription**, including the Aurora subscription, c£102.6M. (*Further work would be required to determine the exact figures to be transferred, including the exchange rate risks and how these would be incorporated*).

- **Domestic Programme** – c£21.3M (*grants to build instruments for future missions and post launch support*). Under a dual key approach the process would be managed by the Space Agency, with support from STFC and input to the peer review and decision making from STFC advisory structure and executive respectively.

Core functions and overheads

- It had been agreed to transfer one full time member of the Communications team to the Agency;
- The Agency had agreed to provide the key stakeholders with a costed proposal, in order to identify possible gaps in funding and negotiate the transfer of funding/staff where appropriate. It was noted that it may be more efficient for STFC to continue to carry out certain support tasks for the Agency rather than to transfer resource.

4.4 Council **noted** the developments so far in transferring resources to the Space Agency.

Preparing for the next CSR

4.5 It was accepted that a Comprehensive Spending Review exercise would be carried out sometime during 2010–11, irrespective of which government was elected in May. It was agreed that Council's involvement was imperative to help champion the work of STFC and ensure that STFC was in a strong position to present well planned scenarios to protect its core science areas, and consistent with its overall strategic plan.

Paul Williams provided a brief summary of the process from the BIS perspective as background and noted that research councils would be expected to model under a range of scenarios. Some of these were anticipated to be very challenging indeed.

Whilst the precise timing and content of the CSR process was not yet clear, it was likely that BIS would be interested in the cross council themes. It was likely that BIS would issue a template for scenario modelling and that a number of iterations could be expected.

During discussion the following points were made:

- 1) It was acknowledged that a considerable amount of relevant work had already been carried out, (*e.g. stakeholder consultations; prioritisation exercise; the STFC vision document; the draft corporate strategy; EB stakeholder workshop; Drayson Review etc*).
- 2) To ensure that STFC was well prepared, it had been proposed that a Council sub-Group should be formed, to provide strategic direction and oversight of STFC's CSR planning. A sub-Group would have the advantage of reflecting the views of Council, and provide a useful part of the mechanism for managing the CSR

process. It would also help prevent the criticism that had been levelled at Council following the last CSR, that it had been 'detached' from the process.

- 3) It was agreed that a consultation process would also be vitally important and this should focus on augmenting the consultations already carried out, to ensure that STFC's stakeholders understood the case that needed to be made, as well as discussing the best way to represent the science going forward;
- 4) It would also be important to consult with the other research councils, learned societies, BIS etc.
- 5) It was pointed out that the DG had already begun a consultation with external bodies (*national academies; learned societies; CST; CBI; etc.*), questioning the balance of science funding across the research programmes and seeking advice on how the balance should be made across all areas. It would therefore be important to provide input into this debate.

In summary:

- 4.6 Council unanimously agreed that, although it would require commitment and time, creating a sub-Group was the right way forward. It was also agreed that the Group should consist of no more than five Council members, and, to ensure an effective interface with the executive's CSR planning team, include a small number of attendees representing the executive (including Jane Tirard, Director, Finance) and the advisory boards.
- 4.7 It was agreed that the Chairman would identify a Chairman and members for the Group. A planning document for the Group would be drafted including details of its proposed role and timescales.
Action: Chairman and Secretariat
- 4.8 Phil Greenish strongly recommended the 'decision conferencing' process which he had proposed some time ago. This process had been designed to enable organisations with limited funding to reach decisions on the prioritisation and funding of 'multi-conflicting' areas. Richard Wade agreed to investigate.
Action: R Wade

5 DRAYSON REVIEW IMPLEMENTATION

- 5.1 The Chairman reported that the Minister had been satisfied with the outcome of the Review. The Chairman had also received positive feedback from members of the science community, as had members of Council.
- 5.2 Keith Mason reported that discussions with representatives from the other Research Councils were ongoing. However the proposed funding model for the fixed costs of the facilities, (*3 years confirmed, with 3 year 'indicative'*), had been agreed in principle.

- 5.3 It was also proposed that an implementation project would be set up to handle the details of the financial planning.
- 5.4 There were still a number of protracted negotiations ahead, and serious issues to resolve. However it had been accepted that despite the difficulties, it was imperative that an early agreement was reached between the Research Councils, on the detailed funding model for the facilities.
- 5.5 For example, it was proving challenging to reach an understanding as to what constitutes the variable cost element associated with the facilities. It was essential that the parameters were fully understood by the implementation team, in order that the correct solutions could be reached without the need for an unnecessary bureaucracy being established.
- 5.6 Council suggested that STFC should propose to provide the secretariat for the implementation project, and Richard Wade agreed to follow that up. **Action: R Wade**
- 5.7 Council noted the progress so far, but stressed the need for a quick resolution, certainly much earlier than the April 2011 being proposed by RCUK.
- 5.8 It was noted that STFC was not chairing the implementation group, and the Chairman agreed to meet with Alan Thorpe to discuss this and the process generally. **Action: Chairman**

6 FINANCE

Outturn Forecast 2009/10

- 6.1 Jane Tirard reported on the headline figures for STFC's outturn forecast.
- 6.2 In November, the near cash outturn had indicated an over spend of c£8M. However this had been managed down, and the current forecast was an £0.9M overspend, (*0.2% of the overall budget*). Departments would be held to their forecast and any variations would have to be managed within the department.
- 6.3 The capital outturn forecast currently stood at c£5M underspend as a result of slippage, despite every effort and an expectation to catch up, on building projects such as Ridgeway house and the domes at the ATC which had been severely impacted by weather. This was in addition to the £4M of under spend that had been earmarked for the purchase of the Electron Building, which was on track for completion by 31 March 2009 but not yet confirmed.
- 6.4 Marshall Davies referred to the speed of the purchase and asked if the executive had been satisfied that adequate due diligence had been carried out on the purchase.
- 6.5 Gordon Stewart pointed out that because STFC would effectively be buying from administrators few warranties would be given compared to what would normally be expected. Negotiations had also been

complex because of the ownership background, and involvement of sub-tenancies. Although not an ideal position to be in, STFC had obtained an independent valuation, a survey had been completed and external lawyers were handling the purchase on STFC's behalf.

Budgets & Internal Savings 2010/11

- 6.6 Jane reported that Directors had now been advised of their top level budgets, and the detailed budgets were now being compiled. This work would be completed and the budgets formally allocated towards the end of April, *(six months earlier than last year)*.
- 6.7 Richard Wade also reported that as part of the communications plan, regular meetings were taking place with the Trade Unions to keep them informed of the financial situation.
- 6.8 Jane pointed out that it had not yet been possible to allocate realistic capital budgets. An assumption had been made that STFC would receive up to £15m from the the auction of the analogue spectrum. The auction has been delayed. As a result the capital budget was being reassessed.
- 6.9 Paul Williams explained that following negotiations between Ofcom and BIS regarding 'Channel 38', a deal had been agreed that the science budget would receive c£15M. STFC would be able to make a priority bid against this money for funding of radio astronomy activities. However because of EU regulations and the structuring of the bids for the spectrum, the auction had now been delayed 2 years, till 2012.
- 6.10 This would cause specific problems for STFC in 2010-11. However, further discussions would take place with BIS later in the year to see whether any flexibility was possible.

Vulcan upgrade

- 6.11 At its last meeting, Council had been minded to approve the proposal for the Vulcan upgrade at a maximum of £24M, providing that the finances were well understood and on the basis that a clear de-scoping contingency had been included in the business case.
- 6.12 Jane reported that after consideration of the full case by the Executive Board, it had been decided that it could not recommend the full cost of the project at this time. However, recognising the priority placed on the future potential benefits that this project could bring to the UK, the recommendation had been to approved a budget of c£1M for the first year, and reconsider the decision following the next CSR, when future funding would be more certain, and after tensioning against other capital investment demands.
- 6.13 Council **endorsed** the recommendation to fund the project for the first year to a total of c£1M, on the assurance that the expenditure would not be wasted should the project not proceed on the timescale proposed.

SSC update

- 6.14 The SSC HR and payroll services were functioning reasonably well, although there were a number of issues that needed to be addressed to bring the services up to a consistent level.
- 6.15 There were also issues relating to the quality of service of the strategic procurement element, but it was anticipated that the predicted procurement savings for 2009–10 of c£2.6M would still be realised.
- 6.16 Work was continuing on the plans to migrate the finance, projects accounting, and operational procurement elements in April. However, Jane reported that STFC's 'risk appetite' for these plans were currently low, as STFC would still need assurance that the level of service provided by SSC would be adequate from Day1.
- 6.17 Marshall Davies alerted Council that there was also an underlying risk that the migration could have an adverse effect on the production of the Annual Report and Accounts this year.
- 6.18 Keith Mason however reported on two positive aspects relating to the SSC. He quoted Adrian Smith who had stated recently that from the perspective of the Spending Review, creating the SSC would be viewed politically as a very positive initiative.
- 6.19 Council asked if STFC had confidence that it would achieve all the efficiency benefits predicted. Jane stated that most of STFC's savings would be procurement-related, and based on the likely positive outcome this year, the signs were encouraging. However, the predicted efficiencies relating to retained functions had not yet been realised because of the delays in the SSC project.
- 6.20 Council noted the SSC report.

Audit Committee report

- 6.21 Council noted the minutes of the Audit Committee held on 28 January 2010.

Scheme of Delegation

- 6.22 The Scheme of Delegation document highlighted the limits of expenditure for the relevant responsible officer. However it was pointed out that this limit must be within the overall budget, and it was agreed that the documentation should reflect this.

Action: M Davies

- 6.23 Council **welcomed** the process that had been put in place, and **approved** the new Scheme of Delegation and decision-making framework.

Risk Appetite Structure

- 6.24 Council **noted** the contents of the Risk Appetite Structure which highlighted the level of risk that the organisation would be prepared to accept, tolerate or be exposed to at any point in time.

Internal Audit Plan 2010-11

- 6.25 Marshall presented the Internal Audit Plan, which complied with the requirements of the Audit Committee. It had already been considered and approved by the Finance Director and the Executive Board, and was due to be finalised by the Audit Committee on 26 March 2010.
- 6.26 The resources assigned for the 19 audits in the programme amounted to 400 days, (at a cost of £230K to be paid in advance), and at least a further £10K in expenses.
- 6.27 It was suggested that in addition to these figures, the cost of the considerable STFC staff time involved in assisting the auditors should also be considered.
- 6.28 Council expressed concern that these internal audit functions were not subject to a regular 'open tender' process, unlike other similar organisations.
- 6.29 It was agreed that Marshall would discuss the issues with the chairs of the other Research Council Audit Committees, and propose that they be raised with their respective Chief Executives. Keith Mason also agreed to discuss the concerns with his fellow Chief Executives.
Action: K Mason/M Davies
- 6.30 Council **noted** the report, and thanked Marshall and his team for their hard work in developing the processes involved.
- 6.31 Paul Williams reported that Treasury had recently decided that the Financial Memorandum and Management Statement should be merged. As the STFC documents had been compiled in 2007 when the Council had been formed, they now required updating to reflect the changes over the past three years. BIS representatives would be contacting the management to discuss the new process and updates in the near future.
Action: Paul Williams

7 STFC STRATEGY

Delivery Plan/Scorecard 2010/11

- 7.1 Sharon Cosgrove apologised for withdrawing the Economic Impact Baseline Report which had been included in earlier versions of the Agenda. The draft document had been with BIS since January, and unfortunately the feedback had not been received until mid March, allowing insufficient time for a revision to be included with these papers. The revised paper would now be circulated to members after Easter for approval by correspondence.
Action: S Cosgrove
- 7.2 The Delivery Plan deliverables and targets remained largely unchanged for 2010-11 – the final year of the CSR07 period, but did reflect the changes resulting from the prioritisation exercise and the ongoing strategy development.

- 7.3 Council **noted** the Delivery Plan and Scorecard for 2010–11 and agreed that STFC should hold discussions with BIS about the future format of these documents.

Scorecard Quarter 4 Report

- 7.4 Council **noted** the progress on the Scorecard for the 4th quarter 2009 – 2010.

Corporate Strategy

- 8 Sharon informed Council that Executive Board was making good progress finalising the corporate strategy and had received excellent feedback on the document from the Senior Staff Conference and Staff Workshops. Sharon reported that a decision had been reached with BIS that the Corporate Strategy would not now be published until after the election. It may be necessary to circulate the final draft to members for approval by correspondence.

9 DATES, VENUES FOR FUTURE MEETINGS

- 9.1 Gordon Stewart presented details of some minor changes to the Council operating processes. It had been agreed at the last meeting that formal business meetings would be reduced to four per year, with the remaining dates reserved for informal debate if required.
- 9.2 It was now proposed that future business meetings would normally be held in July; October; January and April to take account of key scheduling milestones and deadlines.
- 9.3 However, for this year – because of the Annual Report and Accounts scheduling, the next business meeting would be held on 22 June as originally proposed, to discuss the draft Accounts before they were finally signed off the Audit Committee and Chairman in early July.
- 9.4 Council noted the revised dates. Council also asked the Secretariat to bring forward the date of the July 2011 meeting by two weeks.
Action: Secretariat
- 9.5 Because of diary restrictions, it had also been agreed that the meeting on 22 June 2010 would not be held at the Daresbury Laboratory. A new venue would be arranged. **Action: Secretariat**
- 9.6 Further details on future meetings would be notified to members, as they were clarified.

10 HEALTH AND SAFETY REPORT 2009/10 QUARTER 3

- 10.1 Council noted the Health and Safety report.

11 IMPLEMENTATION UPDATE

- 11.1 Richard Wade updated Council on the prioritisation implementation process. He reminded Council that the Director of the Joint Astronomy

Centre, which runs UKIRT, had been advised that a decision had to be made by 31 December 2010, to either continue UKIRT operations at a marginal cost, or cease operations.

- 11.2 Richard reported that significant savings had now been identified along with additional investments which would enable UKIRT and JCMT to continue to operate within budget until at least March 2012.
- 11.3 Richard also reported that the particle physics Principal Investigators and university group leaders had been officially given their revised allocations by the 12 March deadline which had been set by Council, and STFC was now issuing the experiment rolling grants for the period commencing 1 October 2010.
- 11.4 Council welcomed the news that the Office had been able to progress the grants within such a short timescale, and had provided considerable help and support to the PIs during the process, which had been greatly appreciated by the community.
- 11.5 The Chairman agreed to write on behalf of Council to the individuals involved on behalf of Council, to thank them for all their hard work in achieving the deadlines. **Action: Secretariat**
- 11.6 It was suggested that the timescales for future particle physics grants rounds should be reviewed, to determine whether the process could be streamlined. However it was agreed that any changes must be made in consultation with the community. **Action: R Wade**
- 11.7 Council **noted** the remainder of the Implementation update.

12 DSIC JV UPDATE

Gordon Stewart reported that Colin Whitehouse with Keith Burnett, the Chairman of the DL Science Advisory Board, had developed the attached Terms of Reference for the new DSIC Science Advisory Board. Council was invited to notify Colin of any changes required. **Action: All**

- 12.1 Gordon updated Council following the JV public sector partner discussions since Colin's paper was issued.
- 12.2 Marshall Davies stressed the importance of ensuring that the minimum threshold was met before any bid was accepted.
- 12.3 Council **noted** the update on the DSIC JV exercise.

13 CHIEF EXECUTIVE'S REPORT

- 13.1 Keith Mason reported on a debate taking place within the Executive Board on the nature of the organisation going forward. It was important that with the development of the campuses, the emphasis for the organisation should now move to a more 'stakeholder, (or customer)-centric' approach, with greater effort being made to understand stakeholders' requirements and to be more effective in meeting these needs. STFC's internal structure would also be

developed to help provide a more 'outward looking' aspect (*e.g. through the Gateway Centres*).

- 13.2 Council **noted** these developments, and agreed that it would be widely welcomed.
- 13.3 Keith was asked about the role and responsibilities of the newly appointed Head of Business Development for the Gateway Centres, Barbara Ghinelli.
- 14 Keith stated that her role would be business development in the wider sense, not just commercial development, but involving the whole of STFC's business. For example, her role was to ensure that the Gateway Centres were integrated into the rest of the Council's business, and to develop the synergies between the Centres, facilities etc.
- 15 Council **noted** the Chief Executive's report

16 OPERATIONS REPORT

- 16.1 Richard Wade presented his report.
- 16.2 Richard also reported that the LHC was back in operation with beams operating in both directions, and he announced that CERN planned its first high energy collisions (3.5 + 3.5 TeV) the following week.
- 16.3 Council **noted** the Operations Report

17 ANY OTHER BUSINESS

- 17.1 Marshall Davies asked for an update on the issues relating to the Estates Risks discussed at previous meetings.
- 17.2 Richard Wade reported that the Executive Board had discussed the issues involved and had received presentations from Paul Hartley, along with the RAL and Daresbury Estates Managers, and had received assurance that the backlog did not involve 'clear and present dangers'.
- 17.3 The EB was now considering the risks which had been prioritised and would ensure that the top priority risks would be addressed as quickly as possible, irrespective of budget pressures.
- 17.4 It was also agreed that the Audit Committee should be provided with an audit trail of the actions taken as a matter of urgency, to enable the matter to be 'signed off' by the Committee. **Action: R Wade**

The meeting ended at 17.00