

## MINUTES OF THE THIRTY FIFTH MEETING HELD ON 28 OCTOBER 2010 AT THE RUTHERFORD APPLETON LABORATORY

- Council Members present:** Michael Sterling (Chairman)  
Gill Ball  
Martin Barstow  
Keith Burnett  
Marshall Davies  
Philip Greenish  
Mike Healy  
Philip Kaziewicz  
Peter Knight (by telcon)  
Keith Mason  
James Stirling
- Dept Business, Innovation & Skills (BIS):** Martin Ridge  
Paul Williams (in part, by telcon)
- In Attendance:** Tony Ryan (*Chair, Science Board*) – by telcon  
Richard Wade (*Chief Operating Officer*)  
Colin Whitehouse (*Director, Campuses*)  
Gordon Stewart (*Director, Corporate Affairs & Executive Secretary to Council*)  
Jane Tirard (*Director, Finance*)  
John Womersley (*Director, Science Programmes*)  
Sharon Cosgrove (*Director, Strategy*)  
Terry O'Connor (*Director, Communications*)  
Ruth Jeans (*Minutes Secretary*); Mark Foster (*Deputy Minutes Secretary*)  
Will Whitehorn

### **Apologies**

## **1. WELCOME AND INTRODUCTION**

- 1.1 The Chairman welcomed members and attendees, and explained that some members would be joining by teleconference and some for only part of the meeting. To this end, it was agreed that Agenda Item 'CSR Planning' would be moved to the end of the agenda. An update to ESO/VISTA was also added to Additional Business for consideration at the end of the meeting.
- 1.2 The Chairman reported that the Council Meeting had been immediately preceded by a meeting of the Non-Executive Council Members at RAL to consider the work of the Working Group on the next Chief Executive, chaired by Marshall Davies, who added a short verbal report, including a summary of the consultation exercise undertaken over the summer. The Non-Executives had given the working party's recommendations unanimous support and it had been agreed that a summary document would now be published under News from Council.

Action: T. O'Connor

## 2. CONFLICTS OF INTERESTS AND REGISTER OF INTERESTS

- 2.1. Keith Burnett noted that he was now a member of the DSIC Science Advisory Board and therefore had an interest in business with regard to Campuses.
- 2.2. It was noted that all the academic members had a general interest in the items regarding revised grant procedures.

## 3. MINUTES OF THE LAST MEETING – STFC(10)50

- 3.1. The minutes were agreed to be a correct record of the meeting and were signed by the Chairman.
- 3.2. **Secretary's Note:** *Paul Hartley was left off as an attendee at the 28 September meeting and this will be amended.*

Action: Secretariat

## 4. REVIEW OF GRANT FUNDING MECHANISMS

- 4.1. James Stirling gave an overview of the work of the Grants Review Panel commissioned by the Executive and submitted to Council in STFC(2010)52. The review criteria for potential revised mechanisms were: 1) Excellence, 2) Flexibility, 3) Stability, and 4) Reduced administrative overheads. It was noted that reduced costs had developed as a significant driver for change as the group's work progressed.
- 4.2. The review's methodology was based on: a study of mechanisms deployed by other research councils; intensive discussions with the Grants Panels and STFC Programme Managers, and; a significant web consultation exercise. The recommendations put forward to Council had been presented to PPAN and Science Board in September and their input incorporated.
- 4.3. After consideration of a range of options the panel's recommendation was for the replacement of all current schemes with a single, consolidated grant scheme (i.e. for astronomy, nuclear physics and particle physics), based on a single proposal per Department per subject area (or equivalent) every three years; for the grants to consist of 'core' and 'non-core' staff components; and for specific details to be identified by the relevant grant panels. The transition implications were explained and certain impacts of the proposed system highlighted, including a more simplified and administratively efficient – but equally rigorous - peer review process.
- 4.4. The panel invited the Council to discuss and comment upon the report and endorse its recommendations.  
Action: Council
- 4.5. Keith Mason thanked James Stirling on behalf of the Executive and noted that the Executive Board would model the implications of the recommendations once comments had been received from Council and other interested parties. Michael Sterling stressed that the modelling work should carefully examine the overall



financial implications of change such as to avoid any negative overall impact on the STFC. Executive Board will report on the proposals at its November meeting.

**Action: K. Mason**

- 4.6. Detailed discussion was held on matters such as the definition of 'core'/'non-core' (Richard Wade noted that such definitions had been broadly used already in the previous two grants rounds).
- 4.7. Michael Sterling welcomed the report and thanked James Stirling and the panel for its work. The Chairman confirmed that the report had been reviewed by Council and would be approved subject to a formal decision at the November Council meeting following clarification from the Executive on the recommendations' implications for STFC as a whole and in the light of the need to include revised mechanisms in ongoing CSR preparations, should they be accepted.
- 4.8. **Secretary's Note:** *On 2 November the Chairman wrote to the Council stating that the Executive Board had examined the recommendations and confirmed that subject to Council's approval, implementation of the new scheme should proceed. The Board reported that the proposals presented to Council will increase STFC's financial flexibility and by having a single mechanism, will reduce administration by simplifying and reducing the number of grant proposals. Research concentration will also increase. Comments were sought by 8 November, after which approval would be deemed to have been given.*

## 5. RCUK FACILITY FUNDING – UPDATE

- 5.1. Richard Wade reported that the progress of the RCUK Facility Funding working group had not been as rapid as might have been hoped for, with the project's recommendations having relevance within the CSR period, but not for implementation by 1 April 2011. However, a working group had been set up chaired by Richard Wade to agree the specific requirements of each facility such that this can be presented to BIS to go forward to the 2011/12 SR round. A barrier faced by many of the other RCs is that they do not have clarity / data on the facilities used by their grant holders, therefore this information has to be collated and supplied through other routes.
- 5.2. Given that BIS require more detailed information in the w/c 1 November, this could potentially cause some difficulty in making appropriate bids for capital funds in the current SR, especially with regard to the weighting associated with any RC's bid based solely on its grant / user community's allocation of funds. Martin Ridge reported that Adrian Smith would be requesting in writing the information which would be required.
- 5.3. Keith Burnett highlighted that the problem faced was very old, and various attempts had been made to resolve it in the past using a number of mechanisms, such as ticketing, but none of which had been successful. Looking at immediately retrospective data had no direct relevance, SRS being a key example of a facility which never would have been built based solely on justification from such data.
- 5.4. Michael Sterling stated that he would write separately to Prof Smith outlining the particular needs for the UK as a whole with regard to large facilities, in contrast to the needs of any single user group.



**Action: Chairman**

**6. SSC UPDATE – STFC(10)53**

- 6.1. Jane Tirard reported on progress with regard to the transition of Finance functions into SSC. She reported a severe difficulty in obtaining any meaningful financial data from the currently implemented systems, resulting in a lack of visibility of current spend and difficulty in identifying and addressing issues before they arise (e.g. unpaid invoices). This has further led to the need to keep on more staff to cope with e.g. reconciliations and a fundamental deficit in desired control at the current time.
- 6.2. There are a number of deliverables to be completed, including management information reporting, fixed assets, Hyperion planning (forward planning module) and budgeting. The late delivery of fixed assets and Hyperion modules is a matter of concern. The Grants implementation is progressing according to plan and on schedule for February go-live.
- 6.3. Michael Sterling noted this report with great concern, particularly now more than six months into implementation phase. He noted the STFC's vulnerability to problems of this sort given its known tight financial position and foresaw detailed scrutiny of the situation by external bodies.
- 6.4. A number of Council members noted similar difficult situations with implementation phases at their own institutions and expressed sympathy with the current situation. Philip Greenish called for a very strong assertion to be made about the Council's concerns. Phil Kaziewicz called for the SSC Management team to be summoned to Council.
- 6.5. The distinction between SSC Ltd and the SSC Project Team was explained. Keith Burnett highlighted the fact that the implementation phase was the current cause of the problems faced.
- 6.6. Marshall Davies (Chair of the Audit Committee) expressed agreement with all the points of concern and the difficult situation faced by the management team. He explained that the SSC Management Team was to appear before the Audit Committee on 2 November 2010 and would request reports on a monthly basis on outstanding issues and proposed resolutions.

**Action: M. Davies**

- 6.7. Gill Ball queried the confidence levels in those figures that were being produced from the systems. Jane Tirard reported that best estimates, e.g. based on historical 'burn rates', were at a good degree of accuracy, but that they were at such a high level of reporting so as to provide the required granularity of detail.
- 6.8. Jane Tirard summarized that the implications of the implementation delays to date had already resulted in additional £1.5m SSC Project spend. Gill Ball noted that the longer successful implementation took then the less time there would be to resolve any difficulties in the current financial year. Jane Tirard reported that she hoped to have a more accurate reporting run by early November.
- 6.9. Michael Sterling recorded the Council's extreme concern at the situation.



**7. FINANCE REPORT – STFC(10)54 – (some references in this section have been redacted as commercial in confidence)**

- 7.1. Jane Tirard presented the STFC Finance Report, highlighting in reference to the previous item, ongoing serious concerns over the quality of the financial data available given progress with SSC implementation.
- 7.2. Subject to fuller reports expected end October, however, Jane reported an expectation of a near cash and capital overspend.
- 7.3. In this eventuality, Executive Board will be required to make significant decisions in order to produce a plan that would appropriately balance the accounts.
- 7.4. The implications of the need for significant measures to prevent an, as yet unknown, overspend were discussed in detail, particularly with regard to staffing measures.
- 7.5. Keith Mason noted that it was also important not to make drastic decisions without sufficient financial reporting data, in particular if the year-end overrun were to be an underspend and that there could be greater confidence in the correct course of action once more accurate forecasts had been received.
- 7.6. Given the potentially short timescales involved if major decisions to reduce spending were required – especially if these involved staffing measures or rescinding grants – Keith Mason would write to Council seeking approval.  
**Action: JT/KOM**
- 7.7. The Council noted that there must be Finance and SSC updates as substantive agenda items at the next meeting for the Executive Board to outline the steps required to reduce any forecast overspend.  
**Action: J. Tirard**
- 7.8. Marshall Davies emphasised the need to fully understand the implications of any redundancy measures and their associated costs in order to be certain that plans could be implemented in a timely manner.  
**Action: G. Stewart**

**8. CAMPUS UPDATE – STFC(10)55 – (some references in this section have been redacted as commercial in confidence)**

- 8.1. Keith Mason reported on Harwell Science and Innovation Campus (HSIC) and Colin Whitehouse on Daresbury Science and Innovation Campus (DSIC).
- 8.2. Keith Mason reported that he had replaced Gordon Stewart on the HSIC Board and that a very constructive away day meeting had been held between Keith Mason, Jim Johnston (Goodman) and Eric Hollins (UK Atomic Energy Authority). Whilst the board shared concerns over constraints such as poor bank lending and no public funding for Gateway Centres, the arrival of the ESA Centre and progress with ISIS gave good reason to maintain momentum and restructure Campus operations to focus on development towards areas of greatest growth potential.
- 8.3. Colin Whitehouse reported that the DSIC private sector partner agreement was in the final stages of approval with BIS. HMT has given indications that the final JV



vehicle will be classified as a private sector entity, although this requires final opinion from ONS. BIS will seek sign off from Ministers David Willetts and Mark Prisk.

## 9. ECOAB REPORT

- 9.1. Marin Barstow reported to Council as requested on the ECOAB Meeting of 6 October. He noted the renaming of the Board and updated Council on activities STFC(2010)56. It was noted that the Board set high store in maintaining existing resources but that better focus on undertaking new activities could be implemented, with particular regard to 1. purpose, 2. measurability and 3. benchmarking against other organisations.
- 9.2. It was agreed that a joint Council/ECOAB/EIAB meeting would be held in March to consider activities and priorities, in particular with regard to commercialisation, skills and public engagement agendas for STFC.

**Action: Secretariat**

## 10. EIAB REPORT

- 10.1. Phil Kaziewicz presented the key points of STFC(2010)57 that had been agreed during their recent meetings, including 1. A Terms of Reference Statement for the Board; 2. A gated approval process for all new venture initiatives, including business case phase (with external sponsors where necessary); 3. Establishment of an STFC Spin Out Portfolio, potentially with a view to aggregate an overall STFC 'Innovation Fund', but with EIAB to play a part in the approval process for new spin-outs; 4. Proposal for joint EIAB/ SPO PPRD working to enable improved guidance to EIAB on forward plans.
- 10.2. Colin Whitehouse and Phil Kaziewicz will table a paper to Executive Board and to the next Council meeting to examine the issue of early stage funding for STFC Venture Initiatives, including the wider context of the spend on Innovations as a whole within STFC.

**Action: C. Whitehouse / P. Kaziewicz**

## 11. SCIENCE BOARD REPORT – (some references in this section have been redacted as involving policy advice to government)

- 11.1. Tony Ryan highlighted the salient points in STFC(10)58, touching on ESO membership, VISTA, CERN, ESRF and Grants. He briefly gave feedback on the proposed revised Grant Funding Mechanism and noted that the Board would report back formally to the working group. He further reported on the Science Board Advisory Structure and the Technology Strategy. Science Board will propose a more efficient Advisory Board structure to Council in the New Year and will liaise with Gordon Stewart to find suitable time on the Council's agenda for formal consideration.
- 11.2. Council noted the Science Board's report and recommendations, STFC(10)58.
- 11.3. Science Board had toured the Central Laser Facility since the last Council meeting and some discussion was held about the nature of these and similar facilities.



Keith Mason noted that lasers for science is an example of where STFC could potentially host facilities on behalf of universities to help them reduce costs. Tony Ryan agreed in principle.

- 11.4. **Secretary's Note:** *Tony Ryan has subsequently asked that it be noted that Science Board's position is that any such arrangements must be cost neutral to the rest of the programme.*

## **12. AUDIT COMMITTEE REPORT**

- 12.1. Marshall Davies presented the Audit Committee's report STFC(10)61.
- 12.2. Marshall asked Council to provide Audit Committee with delegated powers to Keith Mason to allow it to authorise the STFC's 2009/10 Annual Report at its extraordinary meeting on 2 November, such that the delayed annual report could be signed off. The Chairman provided Council's agreement after consulting the members.

## **13. SCORECARD QUARTER 2 REPORT / ECONOMIC IMPACT REPORTING FRAMEWORK – STFC(10)59&60**

- 13.1. Sharon Cosgrove provided the report to Council and noted plans for the format to be restructured in future to provide a more strategic and less operational overview in future.
- 13.2. Mike Healy asked whether the lines relating to UKSA should be removed. Sharon Cosgrove reported that this would only be possible once there was a legal entity to sign these across to on full establishment of UKSA.
- 13.3. Michael Sterling noted the Report reviewed and approved by Council.
- 13.4. The Economic Impact Reporting Framework was also presented by Sharon Cosgrove and this was also reviewed and approved by Council.

## **14. CHIEF EXECUTIVE'S REPORT – STFC(10)62**

- 14.1. Keith Mason reported that on advice from BIS, STFC would now continue to own and lease back the Electron Building to the private sector partners, given that early feedback had indicated that the partners would likely sell the asset and re-let it themselves if ownership had transferred to ISIC Ltd. Keith reported that ISIC Ltd would be established w/c 1 November.

## **15. OPERATIONS REPORT – STFC(10)63**

- 15.1. Richard Wade reported significant science news relating to LHC (reached design luminosity), ESO (published paper on earliest known galaxy) and Alice at Daresbury Laboratory (achieved first lasing).
- 15.2. Detailed discussion was held on negotiations with international partner organisations and it was established that all timings for renegotiations would be



concluded by the required end of calendar year deadline, and the results known in substance by the date of the next Council meeting (23 November). Discussion on ESO/VISTA was deferred until later in the meeting.

## **16. HEALTH AND SAFETY REPORT – STFC(10)64**

- 16.1. Richard Wade noted the latest Health and Safety Report and emphasised that each report was carefully scrutinised at Operations Board meetings. Michael Sterling encouraged Council to study the report in detail and encouraged questions. Mike Healy noted that the current number of incidents seemed low, but it was clarified that the figures were 'year to date' and in line with expectations. By way of information, Marshall Davies further noted that the Audit Committee also considers the Health and Safety reports in detail at its own meetings.
- 16.2. Michael Sterling noted the report and agreed that the continued importance of this work was acknowledged and highly regarded by Council.

## **17. ESO/VISTA**

- 17.1. Discussion on this matter was commercial in confidence and has been redacted from the public version of the minutes

## **18. CSR PLANNING – PROGRESS REPORT**

- 18.1. Keith Burnett noted the appreciation by Council of all the excellent hard work undertaken by the Executive and BIS, including Paul Williams, Martin Ridge and their colleagues, in achieving what appeared overall to be a very good overall 'flat cash' settlement for Science over the period of the CSR, as had been announced on 20 October.
- 18.2. However, it was emphasised that there was still very significant work to do, with the STFC being required to deliver detailed options to BIS w/c 1 November, according to sliding scales of Revenue and Capital allocations, and that the Capital allocations within BIS were still not known, adding significantly to continued uncertainty.
- 18.3. Richard Wade strongly emphasised that a flat cash revenue settlement and a reduction in Capital of 44 per cent (the *pro rata* BIS capital settlement) would lead to an over-constrained position and result in an outcome more serious than Scenario C in the initial round of negotiations, and even a position where a viable business plan could not be drawn up. Keith Mason strongly supported this.
- 18.4. Detailed discussions were held with BIS representatives as to how best STFC's submission should be presented. Marshall Davies noted the costs associated with discontinuing and decommissioning certain areas of activity.
- 18.5. In this context Keith Mason asked Michael Sterling for the appropriate mechanism to get Council approval from the deliberations of the 4 November CSR Sub Group meeting. Michael Sterling said this would require a circular to Council, taking the



form of the proposed 20 page document to BIS, highlighting how the scenarios differ from those presented to the previous Council meeting (28 September).

## **19. DATE OF THE NEXT MEETING**

19.1. Tuesday 23 November, Boardroom, RAL