



## MINUTES OF THE TWENTY THIRD MEETING HELD ON 21 SEPTEMBER 2009 AT MILTON HILL HOUSE, OXFORDSHIRE

***Council Members present:***

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

***Dept. Business, Innovation &  
Skills (BIS)***

Martin Ridge

***In Attendance:***

Jenny Thomas (Chair, Science Board)  
Richard Wade (Chief Operating Officer)  
Sharon Cosgrove (Director, Strategy)  
Jane Tirard (Director, Finance)  
Gordon Stewart (General Counsel) *Item 2.7 only*  
Colin Whitehouse (Director, Campuses) *Item 2.7 only*  
Terry O'Connor (*Executive Secretary*)  
Ruth Jeans (*Minute Secretary*)

### 1. WELCOME AND INTRODUCTION

- 1.1. Michael Sterling welcomed members and attendees to his first meeting as Chairman of STFC. In his introductory meetings with key staff and visits to parts of the organisation, he had been very impressed with the high quality of the research being carried out, and looked forward to visiting the other sites.
- 1.2. In reminding Council of the very serious budgetary restrictions facing STFC, he pointed out the need for Council to rise to the challenge, as there inevitably would be some very difficult decisions to make, over the next few months. He also stressed

the need for confidentiality, particularly during this period when Council and the executive were still forming a view on the way forward.

- 1.3. It was agreed to take Item 3.6 on the agenda (*Finance Report*), ahead of Item 3.1 (*Actions*).

## **2.1 MINUTES OF MEETING HELD 23 JUNE 2009**

2.1.1 (*Minute 3.3*): 'Light Marker Chip' should read 'Life Marker Chip'.

2.1.2 (*Minute 3.5*): 'decisions' should read 'recommendations'.

2.1.3 (*minute 4.10*): VISTA update, to be taken at Item 4.3

2.1.4 The minutes were agreed and signed by the Chairman, subject to the above amendments being made. **Action: Secretariat**

## **2.2 COUNCIL OPERATING PROCESSES**

2.2.1 Terry O'Connor presented the revised formal operating processes for Council, and the meeting schedule for the remainder of 2009, and 2010.

2.2.2 Council's comments on the processes included the need for more clarity in the paperwork regarding the way that information from Council was disseminated to staff, and to external stakeholders.

2.2.3 The Chairman agreed to make sure that there was more clarity in the minutes and reports of meetings.

2.2.4 *Attachment A - Standard format for Council papers*: Council accepted the format in principle.

2.2.5 *Attachment B - Format for Agenda*: the format was accepted.

2.2.6 *Attachment C - Council Work plan*: The work plan was accepted in principle. However, Council requested that reports from the Education & Training Committee and EPOAC should also be included. Council should notify Terry of any further items that should be added. **Action: All**

2.2.7 *Attachment D - Meeting Schedule*: the number of meetings per year was questioned. It was agreed that the arranged dates should remain in diaries, and cancelled if not required. The venues were agreed.

2.2.8 *Attachment E - Financial delegations*: It was acknowledged that clarity regarding delegated authorities was fundamental to the way that STFC was run. However, it was agreed that the status quo should remain until the Audit Committee had an opportunity to examine the issues involved, and report back to the December meeting of Council. **Action: M Davies**

2.2.9 *Attachment F - Council member appraisals*: Council accepted the process in principle. In future, members' annual assessments would be spread over the course of the year, and arranged to coincide with Council meetings.

2.2.10 Council had found the pre-meeting with the Chairman very useful, and asked the Secretariat to include at least two such meetings per year. **Action: Secretariat**

2.2.11 **Cascade delegation list**: It was agreed that there should be a delegation list of appropriate senior staff to cover absences particularly over the summer months. The

Secretariat agreed to prepare a draft list to be presented to the next meeting of Council.

**Action: Secretariat**

### **2.3. HARTREE & DETECTOR SYSTEMS CENTRE**

2.3.1 Richard Wade presented the outline science and business cases for the Hartree and Detector Systems Technology Centres. LFCF Funding for both Centres had already been earmarked, and Council was informed that subject to Council's approval, the RCUKEG had recently approved the bids to go forward to BIS and Treasury for final funding approval.

2.3.2 In discussing both cases, the following points were made:

- Council sought clarity on how the projects fitted in to the overall budget context and STFC's funding commitments. They also stated that they would need to be tensioned against everything else.;
- Council discussed the funding profile and running cost figures, and noted that a full risk assessment of income and expenditure, both short and long term and a sensitivity analysis would need to be a crucial part of any final analysis. The executive pointed out that the costs presented were considered to be the worst-case scenario. If the Centres were as successful as was envisaged, the costs would be considerably less.
- Council noted that the level of scientific merit, priority and budgetary security would need to be clear and therefore the business cases would need to include evidence of demand and commercial interest.
- The difference between the Hartree Centre and HECToR was explained. (*The HECToR project provided an HPC facility. The Hartree Centre would be responsible for developing code and new techniques; for providing expertise; and maximising opportunities for collaboration in high performance computing*). However, a coherent view of all the relevant capabilities would be essential, and discussions were ongoing with EPSRC and others to ensure that this view was developed.
- It had been accepted that the development of the Science and Innovation Campuses would be a key opportunity to increase the impact of STFC's facilities and capabilities. It was suggested that the Gateway Centres should be viewed as the portals into the Campuses, around which the interactions between industry and the national laboratories and universities could more easily be developed.
- It was also stressed that the Campuses would be much less successful if there were no Gateway Centres. Council was reminded that the Government viewed the Campuses as an essential element in developing the economic impact that it envisaged, as well as being a unique selling point for STFC.
- It was also noted that all indications were that the Hartree Centre would be oversubscribed, and it was therefore imperative to maintain momentum and confidence in developing the Centres.
- There was some anxiety regarding the raising of users' expectations prematurely, and the reputational risks that this would involve.

- 2.3.3 Following discussion, and based on the facts presented so far, Council **approved** both cases to be submitted to stages 1 & 2 of the OGC Gateway process. This was on the understanding that **final approval would not be given** until the outcome of Stages 1 & 2 had been completed and the results submitted to Council at the end of the year. The final decision would also be subject to the outcome of the prioritisation exercise.
- 2.3.4 Martin Ridge confirmed that subject to approval of Council, he would prepare the formal submission to Treasury for its recommendation to BIS to release the LHFC earmarked funds. He assured Council that this process would be subject to the outcome of the Gateway phases being completed successfully, as well as the findings of the prioritisation exercise.

## **2.4 ISIS TS2 AND DIAMOND PHASE 3**

- 2.4.1 Richard Wade presented the science and business cases for the enhancement of ISIS (TS2, Phase2), and Diamond (Phase 3), and requested approval to proceed to RCUKEG, then to BIS for the release of the earmarked funding from the LFCF.

### ***TS2 Phase 2***

- 2.4.2 During discussion the following points were made:
- ISIS management understood that there could be operational consequences for the facility's future operations budget as a result of the prioritisation exercise. If it proved difficult to fund the operating of a full instrument suite, it would be possible to operate the more scientifically productive instruments and not necessarily all at the same time.
  - Part of the cost of TS2 Phase 2 was being funded by international contributions.
  - Council questioned the evidence of demand for these particular sets of instruments. It was pointed out that the reason that TS2 was being developed in two phases, and Diamond in three was to allow for the science and technology to be brought up to date; to identify the new areas for exploitation; and to determine which new areas of expertise needed to be developed. A recent exhaustive instrumentation prioritisation review had been carried out to ensure that these new requirements were understood. The intention was to have a much broader base of users accessing the facilities, including industry, which would be willing to pay for beam time.
  - It was also pointed out that the new instruments would optimise soft condensed matter research - the growth area for neutron scattering - and the intention would be to target the life sciences community, e.g. medical; biological, etc.
- 2.4.3 The executive pointed out that the funding for the additional phases would come from the LFCF, not from STFC funding, and an operating cost model option had been built into the business case which, if necessary to implement, would ensure that the operational costs would not increase beyond the current budget, and value would still be obtained from the additional instruments.
- 2.4.4 Council was also assured that there was no expectation on the part of the ISIS management that additional operating funding would be guaranteed, and the final ISIS operating plans would be made, based on the outcome of the prioritisation exercise.

The business case reflected this. (*ISIS Business Case page 36 paragraph section 4.1.2*)

- 2.4.5 On the basis of these arguments, Council **approved** the case to go forward to RCUKEG and BIS.

### ***Diamond Phase 3***

- 2.5.1 Richard Wade presented the business case for Diamond Phase 3, (an additional 10 beamlines). He pointed out that this was a more complex case because of STFC's partnership with Wellcome Trust which contributed 14% of the capital and operating funds. The Board of Trustees of Wellcome had already agreed their share of the funds for Phase 3.
- 2.5.2 However, it was pointed out that if necessary, the same operational model as ISIS could be implemented, where there could be flexibility in the use of the beam lines in order to remain within the current operational costs or less.
- 2.5.3 Council **approved** the business case to proceed to the next stage, but because of the funding restrictions, reserved its position on the number of beam lines. A decision on the final number would be made, once a full supporting case had been submitted, and when the prioritisation process had been completed.

## **2.6 SCIENCE BOARD MEMBERSHIP**

- 2.6.1 Council gave formal retrospective approval of the membership of STFC's Science Board for 2009 – 2010.
- 2.6.2 Council also **agreed** that James Stirling would continue to represent Council on future appointment exercises.

## **2.7 CAMPUS DEVELOPMENTS**

- 2.7.1 Colin Whitehouse updated Council on recent Campus developments.
- 2.7.2 With reference to the Daresbury Joint Venture OJEU call for private sector partners, Colin reported on the number of organisations expressing an interest, and the number of statements of serious intent.
- 2.7.3 The representatives of the City of Manchester, with its new status as an 'Innovation City', had also expressed a strong desire to be involved at JV Board level.
- 2.7.4 The NWDA had recently given its approval for the construction of a major new innovation building (Vanguard House) on the Daresbury site, and the financial case had now been submitted to the Treasury for final approval.
- 2.7.5 Gordon Stewart reported on the final drafting of the Heads of Terms for the Public Sector Partnership Collaborative Agreement, highlighting some of the issues of principle or policy which still had to be negotiated, including a number which were very distinctive from the HSIC JV negotiations.
- 2.7.6 There were further discussions to crystallise some of these issues in the coming week, the final drafts of the relevant documentation would be forwarded to Marshall Davies for his detailed comments and feedback, and then to Council members by correspondence.

- 2.7.7 Council **noted** the reports and welcomed the ongoing development of the DSIC JV process.
- 2.7.8 Council also formally **agreed** that Marshall Davies should continue to represent Council in the DSIC JV process by providing expert comment and feedback on the relevant documentation.

## **2.8 STFC SUBMISSION ON UK CIVIL SPACE ACTIVITIES**

- 2.8.1 Keith Mason presented STFC's draft submission to the BIS consultation on the funding and management of UK civil space activity, which was cautiously supportive of the proposal to create a UK Space Agency.
- 2.8.2 Council expressed cautious support for the proposal to create a UK Space Agency. However, the submission should include a reference to the need for 'appropriate representation from the scientific community' to be included.
- 2.8.3 It was also agreed that the submission should include a stronger emphasis on public engagement and the STEM aspirational aspect of space.
- 2.8.4 Council **approved** the submission, subject to the additional statements being included.

## **3.1 FINANCE REPORT**

### ***Finance Report***

- 3.1.1 Jane Tirard presented an oral report on the financial demands and the budget situation, and the funding difficulties facing STFC in 2010-2011 and beyond.
- 3.1.2 Jane reconfirmed that the £21M deficit in the budget for 2009 - 2010 is being managed and the spend to the end of August was similar to that compared to last year. She also advised that as a result of the delay in approving the current financial years budget the profiling of the remainder of the year has only recently been completed.
- 3.1.3 A number of key assumptions relating to the next CSR period were then presented, to set the scene for the strategy discussion which would take place the following day, (*e.g. a flat-cash settlement for next year; best and worst case scenarios for foreign exchange compensation from BIS; possible changes to ESA's accounting rules, superannuation increases etc*).
- 3.1.4 It was noted that a 10% reduction to the CSR 2007 outcome would increase the shortfall to around £100M, highlighting STFC's serious financial position and the need for very difficult decisions to be taken.

### ***Particle Physics Grants***

- 3.1.5 Richard Wade presented his paper on the recent review of the particle physics experiments programme 5-year rolling grants which is conducted every three years.
- 3.1.6 In order to limit new financial commitment until the outcome of the prioritisation and planning project, a number of options were presented for discussion, along with a process to fund the optimum science programme while retaining the ability to readjust the commitment, once the prioritisation exercise had been completed.

- 3.1.7 Council fully accepted that this was a painful process and understood that it would cause considerable uncertainty and practical difficulties for the particle physics community.
- 3.1.8 However, following a lengthy discussion on the implications of the various options for the grant holders and for STFC, Council reluctantly but unanimously **agreed** that the best option would be to issue all new grants only until October 2010 in the first instance, on the understanding that further adjustments may have to be made once the prioritisation process had been completed in six months time (at the latest). These further adjustments may affect all aspects of the science and technology programme.

### **3.2 ACTIONS FROM LAST MEETING**

- 3.2.1 The outstanding actions had either been completed or had been dealt with under agenda items.

### **3.3 STRATEGY PREPARATIONS & CONSULTATIONS**

- 3.3.1 Due to time restrictions, this item would be included in the joint Council/EB Strategy session to follow the business meeting.

### **3.4 ECONOMIC IMPACT: COMMERCIAL IMPLEMENTATION PLAN**

- 3.4.1 Keith Mason, on behalf of Phil Kaziewicz, updated Council on the managed programme currently being developed to increase external income and innovation output from STFC's activities.
- 3.4.2 Opportunities would initially be categorised according to financial attractiveness; strategic fit; and timescale, with a number of criteria being developed for each category. This approach would build on the strategic review and existing 'commercial interaction plans'. Departmental activity plans, including timescales and numerical targets, would also be required.
- 3.4.3 Council **endorsed** the importance of this activity, and **agreed** that the need to generate external income and innovation output should be included in departmental and directorial objectives, with agreed targets to be set.

### **3.5 NEWS FROM SCIENCE BOARD**

- 3.5.1 Jenny Thomas gave an overview of the advisory structure and the responsibilities of the Science Board, and presented the report of the July meeting.
- 3.5.2 Council **noted** the report.

### **4.1 CHIEF EXECUTIVE'S REPORT**

- 4.1.1 Keith Mason highlighted the progress being made in the development of innovative particle accelerators for thorium-fuelled Accelerator Driven Subcritical Reactor systems (ADSR), for energy generation.

- 4.1.2 During a visit to Daresbury Laboratory earlier in the year, Lord Drayson had requested a business case defining the financial investment necessary for the UK to deliver the enabling technologies for such an ADSR. The report had almost been completed and would be submitted to Lord Drayson within a week.
- 4.1.3 Council **welcomed** Government's support for this type of development, particularly as it would lead to underpinning support for STFC's accelerator science technology capabilities. It proved that there was the need for a much broader base of application, and would enable the accelerator technology and skills to remain active in the UK.
- 4.1.4 Council **noted** the remainder of the Chief Executive's report.

## **4.2 EXECUTIVE BOARD REPORT**

- 4.2.1 Council **noted** the report

## **4.3 OPERATIONS REPORT**

- 4.3.1 Richard Wade updated Council on the current VISTA situation. Technical progress remained good and it was hoped that the formal handover of the telescope to ESO would be signed during the first week of October. The community had also welcomed the announcement of when surveys would be commencing.
- 4.3.2 Regarding the settlement of the VISTA penalties issue, discussions had taken place at CEO/Ministerial level, and STFC was awaiting the final report of that meeting from BIS.
- 4.3.3 .Council **noted** the report.

## **4.4 EPSRC/STFC FUSION REVIEW**

- 4.4.1 Council **noted** the report.

## **4.5 CHANGE MANAGEMENT REPORT**

- 4.5.1 Jane Tirard reported that a meeting would be taking place on 22 September, to decide on whether STFC would be migrating on 19 October as planned.
- 4.5.2 Council **noted** the report.

## **4.6 SSC PREPARATIONS**

- 4.6.1 Council **noted** the report..

## **4.7 AUDIT COMMITTEE REPORT**

- 4.7.1 Marshall Davies presented the report of the Audit Committee's meetings held on 9 June and 9 July.

4.7.2 He pointed out that at present there was only one member on the Committee representing Council. Council agreed that it would be helpful to have an additional Council member on the Committee, and this would be progressed either by appointing an existing member of Council, or from the new appointments to be made next April.

#### **4.8 QUARTERLY SHE REPORT**

4.8.1 Council **noted** the report

#### **4.9 SCORECARD – 2<sup>ND</sup> QUARTER**

4.9.1 Council **noted** the report

#### **4.10 CALENDAR OF UPCOMING EVENTS**

Council **noted** the calendar of events.

#### **4.11 REGISTER OF INTERESTS**

Council **noted** the Register of Interests

*The meeting closed at 5.30pm*