MINUTES OF THE THIRTY SIXTH MEETING HELD ON 23 NOVEMBER 2010 AT THE RUTHERFORD APPLETON LABORATORY

Council Members present: Michael Sterling (Chairman)  
Gill Ball  
Martin Barstow  
Keith Burnett – (by telcon)  
Marshall Davies  
Philip Greenish  
Mike Healy  
Philip Kaziewicz  
Peter Knight  
Keith Mason  
James Stirling  
Will Whitehorn

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

In Attendance: Tony Ryan (Chair, Science Board)  
Colin Whitehouse (Director, Campus Strategy)  
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)  
Mark Foster (Minutes Secretary); Ruth Jeans (Minutes Secretary);

Apologies: Richard Wade (Chief Operating Officer)

1. WELCOME AND INTRODUCTION

1.1. The Chairman welcomed a full attendance from Council and welcomed additional attendees who were present given the Agenda items, in particular with regard to the ongoing CSR.

2. CONFLICTS OF INTEREST AND REGISTER OF INTERESTS

2.1. The Chairman asked for any new conflicts that the members needed to declare since previous meetings. None were reported.

3. MINUTES OF THE LAST MEETING – STFC(10)65

3.1. (minute 2.1): It was confirmed that Keith Burnett’s status as a non-executive member of the United Kingdom Atomic Energy Authority needed to be
registered with regard to business concerning the Harwell and Daresbury Science and Innovation Campuses.

3.2. (minute 11.3): Clearer wording for this section was agreed, in addition to a Secretary’s Note setting out Tony Ryan’s position more specifically.

3.3. (minute 16.2): James Stirling identified that this did not make grammatical sense.

3.4. Subject to these amendments, the minutes were agreed to be a correct record of the meeting and were signed by the Chairman.

4. UPDATE ON VISTA

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

5. SSC UPDATE

5.1. Marshall Davies provided an update on SSC from the Audit Committee. He prefaced this by noting the distinction between the SSC Project and SSC Ltd. The SSC Project is now Chaired by Professor David Delpy and the term of the Project is due to complete at the end of the financial year, March 2011. After this date SSC Ltd will retain all responsibility for delivery and any aspects of the SSC Project that were incomplete. Audit Committee confidence in the management of SSC Project was generally high.

5.2. Marshall noted that STFC had spent £27.5m on SSC to date.

5.3. The CEO of SSC Ltd had presented to the Audit Committee on 2 November. He gave a high level overview of the situation. A number of concerns and questions had been raised by the Audit Committee during the meeting, including:

   5.3.1. Concern over the lack of management reporting data and management accounts.

   5.3.2. Lack of progress on payroll and bank accounts and problems reconciling ledgers.

   5.3.3. Delays in payments to suppliers.

   5.3.4. Lack of clarity in demonstrating benefits.

   5.3.5. Lack of a detailed schedule of lessons learnt.

   5.3.6. Assurances for the 2010/11 financial year.

5.4. Jane Tirard reported to Council that progress for the STFC finance team had continued to be disappointingly slow and difficult with regard to SSC, but that some improved management data had started to become available and that more detailed reporting was expected during w/c 29 November.

5.5. John Womersley expressed concern that SSC had recently begun making overtures to hard pressed STFC staff about the need for ‘partnership’ during these difficult times. Whilst full co-operation was to be extolled, there needed to be clear understanding that this was a client-supplier relationship. Jane noted
this, but added that the Research Councils were all shareholders in SSC Ltd. Culture change within the Councils was a desirable outcome.

5.6. Philip Greenish asked whether SSC Project was guaranteed to finish March 2011 even if it had failed to meet its objectives and if there would be a full review and report on the Project on completion. Marshall Davies confirmed that there would be a full review. Although Marshall could not guarantee closure of the Project end March, he was of the opinion that this was likely. Marshall added that any outstanding liabilities and issues would fall to SSC Ltd on completion of the Project.

5.7. Mike Healy asked if other Councils had faced the same difficulties. Jane reported that STFC is currently the largest and most complicated Council involved and had therefore faced the greatest difficulties to date. However, NERC were due to join soon and might be an improved benchmark against which to assess performance, though hopefully STFC’s experience would help them avoid encountering the same problems.

5.8. Keith Mason acknowledged the problems faced. He noted some of the mitigating factors, including: 1. Complexity of providing a one size fits all solution to seven diverse research councils, 2. Savings could only be achieved by changing certain existing behaviours, e.g. by undertaking central procurement rather than buying independently; and 3. Efficiencies can only ever be generated through a certain amount of compromise - the need for increased efficiency savings across Government was increasing rather than receding.

5.9. Marshall Davies stated that he would bring a full report to the Council’s January meeting.

Action: M. Davies

1. FINANCE REPORT - – (some references in this section have been redacted as commercial in confidence)

1.1. Jane Tirard provided an updated report from June on the current STFC financial position. Jane reiterated that it had been known from the outset that 2010/11 would be a difficult financial year given the need to pay back outstanding loans from BIS and known pressures on resources and capital. In terms of capital, the delayed sale of Channel 38 had added additional pressure within the year and other planning assumptions had not materialised. Since the September and November Council meetings, Jane reported that an improved picture with regard to projected potential near cash overspend could be forecast, achieved in part through: 1. the moratorium on recruitment and voluntary redundancy measures; 2. changes to DLS rateable status (which could be expected at its 25 November Board meeting) that should result in a £1.7m reimbursement to STFC. However, a near cash overspend was still forecast. Clarity was complicated somewhat by the current lack of detailed management accounting data (see item 5. SSC Update).

1.2. SSC spend at £1.9m above forecast and pay increments (which legal advice recommends STFC is obliged to pay) at £1.5m, were noted as contributory
factors to this overspend in near cash.

1.3. Executive Board had considered a range of options to mitigate this overspend.

1.4. Michael Sterling emphasised that there was a STFC reputational issue at stake if it was perceived to be unable to balance its accounts.

1.5. Gill Ball noted that the year end was fast approaching and asked with what confidence the management team had in its ability to control the overspend.

1.6. The Council called for updates at subsequent meetings.

Action. K. Mason, J. Tirard

2. DARESBURY SCIENCE AND INNOVATION CAMPUS

2.1. Colin Whitehouse reported that David Willetts had announced the Government’s agreement that the DSIC joint venture agreement could proceed on Thursday 18 November during BIS questions in the House of Commons. Subsequently, announcements had been made by the private sector partner, Langtree, and the public sector partners STFC, Halton Borough Council and NWDA.

2.2. On behalf of Council, Michael Sterling thanked Colin and the wide team across STFC, the public sector partners and BIS for their work in reaching this important milestone.

2.3. Colin reported that the ‘Shadow Board’ of the JV continued to meet and make progress, its next meeting being 24 November. The only outstanding issue remaining before the final JV agreement could be signed and formally established is the status of the lease on the Cockcroft Institute Building.

2.4. Colin outlined the situation and the status of the University partners. It was currently hoped that these parties would extend their lease to 2017 (a term of the JV agreement) in order to ensure sign-off, but that their current perspective was highly risk-averse. Although negotiations continued, Colin asked if Council would be prepared to accept, in principle, STFC taking responsibility for the lease should negotiations be unsuccessful on the basis outlined in the proposal circulated to Council prior to its meeting together with the financial risk analysis provided also previously circulated to Council.

2.5. Council agreed the proposal should be made to the university on the terms outlined.

Action: C. Whitehouse

3. CSR PLANNING – PROGRESS REPORT - (some references in this section have been redacted as relating to policy advice to government)

3.1. Keith Mason reported on a continued fast moving situation with regard to ongoing CSR settlements. Keith noted that the Council members had been
sent the latest ‘tracked changes’ Delivery Plan that had been delivered to BIS 22 November.

3.2. The fact that there was now greater clarity on the ‘Drayson partitions’ had led to the ability to provide increased detail in certain areas. The recommendations of the Research Councils Large Facilities working group chaired by Richard Wade had been supplied to BIS which meant a greater level of detail could be anticipated with regard to DLS, ISIS and CLF.

3.3. Clear information was still not known on Capital, but an announcement from BIS was expected in the near future. Secretary’s Note: Some further indications were provided by David Willetts at the HC Science and Technology Committee the following day - http://www.publications.parliament.uk/pa/cm201011/cmselect/cmsctech/uc618-i/uc61801.htm

3.4. A lot of intensive work in the following 10-14 days was expected before a final delivery plan would be available for consideration. Appropriate mechanisms for achieving agreement on the final Delivery Plan were sought by Keith from the Chairman and Council.

3.5. Keith Burnett commended all the continued hard work by the Executive on which they were to be thanked and congratulated.

3.6. Paul Williams provided the likely BIS timetable for final allocations and announcements over the coming weeks. He outlined the parameters under which the allocations to BIS and the Research Base had been provided by HM Treasury.

3.7. Paul also stated some of the known figures about UK aspirations for financial commitments to ESRF and ILL subscriptions.

3.8. Keith Burnett noted that there was still a lot of communication required in the coming weeks. Michael Sterling emphasised that the likely outcomes would be very challenging and include serious implications for staff and resources, including grants.

3.10. With regard to potentially rescinding grants, the Chairman sought agreement from Tony Ryan that Science Board was of the view that it was preferable to provide ‘headroom’ to create new grants rather than be constrained to existing commitments. Tony agreed.

3.11. Tony Ryan reported that whilst he appreciated the pressures in creating a draft Delivery Plan, Science Board had discussed 1. the potential mismatch identified priorities in the revised Delivery Plan and the 2009 Reprioritisation priorities; 2. Concern that some of the new initiatives (e.g. innovation funds) were not of the greatest value for money, in contrast to activities within the Reprioritisation 2009; 3. Strong support for the principle that STFC restructuring should have the overall goal of reducing unfunded posts, with a goal of improved support for grants in the long term.

3.12. Keith Mason noted that the decisions in the current Delivery Plan had been chosen in order to meet the needs of a wide range of stakeholders, which
primarily included the science community. However, there were other key stakeholders including Universities, the enterprise community and Government. Keith hoped that it would be recognised that innovation funding would ultimately still go to Universities, albeit through different mechanisms.

3.13. Michael Sterling, Tony Ryan and Keith Burnett agreed that there was common ground. All understood the over-arching reasons for the decisions made about the content of the latest Delivery Plan. The observations of Science Board were carefully noted. Tony Ryan said that he was very re-assured by the exchanges and thanked Council for enabling the dialogue.

3.14. James Stirling made specific observations about the changes made in the latest iteration of the Delivery Plan. John Womersley and Sharon Cosgrove noted the concerns. In particular, James’s concern over the sizes of communities referenced in section 3.1.1 were highlighted and these figures and others will be carefully reviewed. The importance of the cover artwork picturing the STFC’s largest investments was agreed.

**Action: J. Womersley; S. Cosgrove, CSR Working Group**

3.15. Michael Sterling sought agreement on how any final changes should be considered, agreed and signed off by Council.

3.16. Paul Williams clarified the pressures BIS faced with regard to timing any announcement. The desirability of all Councils issuing their Delivery Plans at the same time as their allocations was emphasised. Terry O’Connor noted the endeavours of the Councils to co-ordinate their announcements and that some flexibility might be required between agreement with BIS and the announcement date in order to prepare the most effective communications with the wide range of relevant stakeholders.

3.17. It was agreed that Council would need to receive electronic copies of the final Delivery Plan for approval. Council was notified that the required turnaround time might be tight, but that this would be made explicit in the relevant correspondence.

**Action: K.Mason, M. Sterling**

4. **ISIC UPDATE -**

4.1. Keith Mason noted that all Council had been invited to the ISIC Information Day on 2 December, which will be a forum to engage with downstream providers in addition to a launch event for the Space Business Incubation Centre at Harwell. Jean-Jacques Dordain, Director General of the European Space Agency, and David Willetts, the UK Minister for Science and Universities, would be in attendance.

4.2. Keith reported continued good progress with regard to ISIC. Positive negotiations had continued with the public and private sector partners and, as a result, greater understanding of how to meet overall liabilities had been reached. Tactical considerations meant that a decision may be made to exclude TSB from being considered as a suitable primary public sector partner.

4.3. The ISIC Business Plan includes a partnership model for how the arrangement
will work and is breaking new ground. A separate business proposal is to be put to STFC, specifically in order for a decision to be made as to whether STFC should join ISIC as a partner. The proposal is expected in January.

4.4. Keith highlighted three key aspects of ISIC: 1. ISIC/ESA has been a major driver for HSIC during the economic downturn; 2. ISIC/ESA Centre has driven rental revenues to HSIC through increased Electron and Atlas Building occupancy; 3. The importance to RALSpace (RAL SSTD) of ISIC/ESA being significant clients in the long term.

4.5. A formal report will be made to January’s meeting.

**Action:** K. Mason

5. **DATE OF THE NEXT MEETING**

5.1. Tuesday 14 December, Boardroom, RAL. However, it was agreed that if there were no significant CSR developments to consider at this meeting then it may be cancelled.

**Action:** M. Sterling, Secretariat

6. **SPECIAL BUSINESS**

In recognition of Ruth Jean’s extended, valuable and highly regarded work at RAL since 1968, and her unstinting excellent work as Minutes secretary and administrative support to Council and its members over the last 15 years, a presentation was made by the Chairman on behalf of STFC Council and its predecessors.

This was Ruth’s last Council meeting as she will be retiring on 30 November 2010. Her endeavours were warmly recognised by the Council and Executive.