MINUTES OF THE FIFTY SECOND MEETING HELD AT 
11.00 HRS ON 27 NOVEMBER 2012 AT POLARIS HOUSE, SWINDON

_Council Members present:_ Michael Sterling (Chairman) 
Gill Ball 
Martin Barstow 
Marshall Davies 
Julia Goodfellow 
Michael Healy 
David Price 
James Stirling 
Ian Taylor 
John Womersley

_Dept Business, Innovation & Skills (BIS):_ Graeme Reid

_In Attendance:_ Gordon Stewart (Executive Secretary to Council and Executive Director, Corporate Services) 
Tim Bestwick (Executive Director, Business and Innovation) 
Sharon Cosgrove (Executive Director, Strategy, Performance and Communications) 
Andrew Taylor (Executive Director, National Laboratories) 
Jane Tirard (Executive Director, Finance) 
Matt Griffin, (Chair, Science Board)

Apologies Will Whitehorn 
Grahame Blair

1. **WELCOME AND CONFLICTS REGISTER OF INTEREST**

1.1. The Chairman welcomed all attendees to the meeting. Apologies were received from Council member, Will Whitehorn who was recovering from illness, and from Grahame Blair, Executive Director Programmes who was at ESRF Council.

2. **CONFLICTS OF INTEREST AND REGISTER OF INTERESTS**

2.1. The Chairman asked Council members to declare any conflicts of interest and reminded members to keep the Executive Secretary informed of any changes to their personal register of interests; Ian Taylor informed Council that he had recently been appointed as Chair of the National Space Academy and Martin Barstow declared that Leicester University is a
member of ISIC (should ISIC be discussed as part of the Campuses agenda item).

3. CORPORATE SERVICES DIRECTORATE (CSD) PROJECT UPDATE

3.1. Gordon Stewart updated Council on the status of the robust and comprehensive review “to ensure CSD is efficient and effective and is doing the right things in the right way to best support our science, innovation and technology”.

3.2. The project commenced in April 2012 with a review of the baseline data (staff, services and costs) within CSD. PriceWaterhouse Coopers (PwC) were commissioned to review the output of this work, using their knowledge of current best practice and benchmarking against other organisations within the public sector.

3.3. PwC produced a report based on their findings in October 2012, which contained a range of options. Testing of these options for practicality and desirability is underway before any final decisions are made on which ones to adopt; some options will be taken forward and others may not, or in some cases alternative options may be proposed. A project team has been established to carry out this work and a business case is likely to be ready for Council in late January or early February 2013.

3.4. Gordon Stewart had decided that the PwC report would not be made available widely to staff, at this time, as it contained a range of options that the CSD Project Team would be taking into account when designing the CSD Programme. Gordon Stewart stated that he would review this decision once the new design for CSD had been announced.

3.5. Implementation of the new design will commence from March 2013 onwards, once approval from Council had been received.

3.6. Council agreed that such a review of CSD was logical and long overdue and recognised that implementation of a programme such as this, was likely to take up to two years. They understood the reasoning behind the decision to withhold the PwC Report until there was more clarity on the future design.

3.7. There were some opportunities that would be actioned immediately including the formation of an overall CSD Management Board, with corporate responsibility for the whole Directorate. Recognising that current CSD senior management positions are likely to have a significantly wider remit in future and that rationalisation was needed of the existing management structure, “Heads Of” positions will be opened up for competition; there will be a single Head of Estates and a new Change and Customer Relations role will be created but overall there
would be a reduction in senior posts. Additionally the existing team will be supplemented by senior change leaders (in HR, CICT and Estates) on limited appointments of no more than 12 months, as a supplementary resource to transition the new design.

4. **CAMPUSES** SOME REFERENCES IN THIS SECTION HAVE BEEN REDACTED AS PROTECT: COMMERCIAL

4.1. Plans were being made to decide on the location of a new building at Harwell following the recent announcement by David Willetts of investment in ESA that will secure an ESA directorate at Harwell. It had recently been raised with UKAEA to consider releasing licenced land for use for the ESA Telecommunications building so that it could sit alongside the Electron building. Council agreed that this matter should be discussed further at a future meeting.

   **Action:** Secretariat to add ESA Telecommunications Building to a future agenda.

5. **DIAMOND LIGHT SOURCE (DLS) CEO RECRUITMENT** ALL REFERENCES IN THIS SECTION HAVE BEEN REDACTED AS PROTECT: MANAGEMENT

6. **OVERVIEW OF ESA SCIENCE PROGRAMME**

6.1. Matt Griffin informed Council on the membership, budget and advisory structure of ESA and explained how decision making works within the organisation. Matt presented the ESA current and forward programme to Council, emphasising that ESA had a successful and world-leading science programme, which is an essential element of the STFC science programme and well-matched to STFC’s science roadmap in that it has similar scientific themes.

6.2. ESA has a good suite of space-based observatories but many are coming to the end of their useful life. There are a number of powerful missions in development but Matt was concerned for the future due to the long timescales for mission study and selection but noted that this is starting to be addressed.

6.3. Financial restrictions due to the flat cash settlement at the recent ministerial meeting means real term cuts to science programme and future missions are highly likely.

6.4. Matt discussed the difficulties of any one agency (ESA or NASA) being able to afford future large missions and as mentioned previously at Council, Matt and STFC’s Science Board were concerned about the blurring of the boundaries between the exploration and the science
programme which means that the science programme is suffering due to the cost of the Mars programme.

6.5. Matt stated that there is high quality UK technical participation (via UKSA) and scientific participation (via STFC) but funding is limited from both of these organisations. The dual key system between STFC and the UKSA is working well but needs further streamlining and continual effort from both Executives, advisory committees, and STFC communities.

6.6. Speaking more generally about the organisation of space within the UK, Matt stated that there is no space science strategy within the UK and whilst the UK Space Agency has a mandate for economic growth it is not responsible for the space strategy; Matt felt that that this was STFC and its community’s responsibility.

Note: Council attended an interactive poster session and lunch in Polaris House with STFC Swindon Office staff.

7. RENEWAL OF CHAIR APPOINTMENT ALL REFERENCES IN THIS SECTION HAVE BEEN REDACTED AS PROTECT: MANAGEMENT

8. MINUTES OF THE LAST MEETING

8.1. Council approved the minutes of the meeting held on 27 November 2012 and the Chairman signed these as a true record of that meeting.

8.2. Council were satisfied that the redacted minutes presented to Council would be suitable for publishing on the STFC website.

9. ACTIONS AND MATTERS ARISING

9.1. There were no actions or matters arising.

10. STFC EQUALITY SCHEME

10.1. Council approved the new single Equality scheme for publication.

10.2. Council commented that this was a good document but the statement at point 20 about “taking positive action, where appropriate, to encourage more STEM women to apply for jobs with us, given their under representation in the workforce” should be expanded to include other under represented groups.

10.3. Council commented on the move within universities to ensure that all board and executive members undertake equality and diversity
training and commented that any person or group of person undertaking any form of selection process should be equality and diversity trained.

11. IMPACT REPORT

11.1. Council received an earlier draft of the 2012 Impact Report at its September meeting. Following feedback from BIS and Council, the report had been redrafted and shortened but still remained uplifting.

11.2. The document was being laid out ready for print, and STFC were awaiting guidance from BIS on the timescale for the official launch, which was likely to be in January 2013. Additionally, it was being looked over by David Willetts’ advisor to look for statements to be pulled out for the Autumn Statement.

11.3. Council had previously commented on an absence of reference to equality and diversity. Sharon Cosgrove stated that the report had been re-considered in this light but it had been decided that the report was very specific, linking what we do for growth and the economy and it was not really relevant to reference this, for that reason.

11.4. Council noted and approved the final version of the report for publication.

12. CEO REPORT

12.1. John Womersley presented his report to Council which was supported by a paper on scientific highlights since the last Council meeting. John reported on his recent staff engagement including his leadership of health and safety tours at Swindon Office and RAL and the recent Leadership Conference held at Warwick which included all senior staff within STFC. John also reported on his involvement with external stakeholders including strategic visits to HEIs.

12.2. John informed Council that he had recently turned down an invitation to Chair the European Strategy Forum on Research Infrastructures; this decision was supported by David Willetts, due to the time commitments involved.

12.3. The E-ELT situation was still uncertain, as approval had still not been received from Her Majesty’s Treasury. John had received intelligence from BIS that movement was unlikely and therefore the potential reputational issue would need to be managed at the ESO Council meeting which was to due be held the following week. John informed Council that Brazil had not signed the ESO convention yet but told
Council that this was not key to the progress at the moment.

12.4. Spain had still not paid their CERN 2012 subscription and rumours were circulating that they may be prioritising research in universities over the subscription. The situation was being closely watched with concern that other countries may do the same. This would have an impact on the CERN and the ESO pension fund.

12.5. The Catapult and ISIC Integration Project was proceeding relatively smoothly and John was attending regular oversight meetings. ISIC management were being constructive and issues around how to include non-industry partners were moving in a conscious and positive direction.

12.6. John was concerned about future financial pressures. He was expecting that the forthcoming Chancellor of the Exchequer's Autumn Statement was likely to be billed as “good for science” and John stated that he would willingly accept any capital windfalls. A full CSR before 15/16 was unlikely and John was concerned that additional operating costs for new capital projects together with open access costs, increasing energy bills and inflation meant that any flat cash rollover in 15/16 was going to be extremely difficult to manage.

12.7. The BIS sponsor team had suggested that STFC model the cumulative impact of a flat cash rollover on STFC for two or more years. This had been done and the outcome was extremely worrying and would take STFC beyond the tipping point. The document had been shared with John Alty Acting DG Innovation and Research at BIS.

12.8. John had shared with senior staff the seriousness of such a situation at the recent Leadership Conference.

13. TRIENNIAL REVIEW SUB-GROUP

13.1. Marshall reported that the group was working well with useful discussion about developing a narrative for the Triennial Review and CSR and as mentioned in the CEO Report, the group had undertaken some modelling to expose the implications of a flat cash roll-over which had been used by BIS. Government Departments were starting to brace themselves for cuts and the sub-group were planning to discuss this in their meeting the following day.

13.2. The Triennial Review was due to start in January 2013 but was going slower at BIS’s end than anticipated; it was now expected to last until the end of June. The BIS Review team would be led by Ceri Smith and was in the process of being put together. Ceri Smith had received the RCs initial briefing but had not yet digested it.
13.3. The group has discussed and identified the risks and opportunities for the efficient use of our national resources and infrastructure.

13.4. Ceri Smith had set out a list of his thoughts on topics to tackle and the sub-group would be considering those at its meeting on the following day. A communications and influencing plan has been developed and the group had asked the Executive to work up some more detailed messaging, that will also be discussed at the meeting.

13.5. Graeme Reid commented that STFC should be cautious about too much individual response and needed to make sure that it is strongly connected with the other Research Councils (RCs). The Executive informed Council that STFC are working very closely with the other RCs led by Sharon Cosgrove who was a member of the RCUK TR group. The Council sub-group were providing STFC with advice that was being fed into the cross council group.

14. REVIEW OF PUBLIC ENGAGEMENT

14.1. Martin Barstow updated Council on the work of the review that he had been commissioned to carry out. The panel, chaired by Martin had met three times and would be providing a paper to the next Council meeting in January 2013.

14.2. The panel consists of Sir Roland Jackson (British Science Association), Claire Mateson (Wellcome Trust) and Steve Miller (UCL).

15. STFC OPERATING PLAN

15.1. Council noted the 2012/13 Operating Plan update that covered the first half of the year, showing progress on a quarterly basis.

15.2. Progress on the whole had been good but a few areas are starting to turn “red”, in part due to the CSD Review taking precedence over other work, the increased time taken to recruit Grahame Blair, Executive Director Programmes and some stretch targets which are now starting to test STFC.

16. FINANCE REPORT

16.1. The Chairman commented on the high quality of the Finance Report paper and Council agreed that this is the right level of information that they require. Council noted the overall 2012/13 financial position of STFC as being in good order.

16.2. The mid-year actual net resource expenditure was £2.4m (1%) below the profiled cumulative budget and the net capital expenditure was £5.1m (10%) below the profiled budget but Directorates were
confident of spend in the second half of the year.

16.3. The full year forecast to the year end position was within the current BIS expectations of below 1% of budget.

16.4. The 2012/13 revised budget reflects changes to the original budget which have been agreed and approved and to which all Directorates are now to be held accountable for. It reflects up to date BIS allocations which formally includes extra resource of £0.4m for NWDA liabilities taken over by STFC in relation to the SciTech Daresbury Campus, capital of £4.5m for the refurbishment of the R1 building at Rutherford Appleton Laboratory and £3.7m for post-Fukushima work at ILL.

16.5. Most earmarked amounts to Directorates have been allocated and contingency now only includes £1.3m for ISIS (should other avenues of funding be unsuccessful) and £0.2m for professional valuations. Agreed transfers between various Directorates have now been carried out.

16.6. The resource forecast has highlighted significant variances at the Directorate/Programme level:

- International subscriptions are £1.5m below budget; contributions based on NNI being recalculated have resulted in a lower than predicted subscriptions and a favourable exchange rate position relative to the original budget assumptions. Approval has been sought from BIS to offset some of the overspend in the programme part of the Drayson Partitions.
- It is currently forecast that ISIS will overspend by £1.8m to reflect Councils aspirations if it were to run at 120 days
- Corporate Services Directorate £1.5m overspend; this is due to overspends related to SSC (correction arising from a SSC purchase order which was raised in 10-11) & the 2011/12 restructuring programme (due to options exercised in this financial year, which could not be accrued for in 11/12) which are separate from the CSD department operating budget.

16.7. The overall capital forecast is £2.4m underspend:

- £0.5m net overspends on various directorates/programmes
- £2.5m to be lent to NERC and repaid in 13/14 and 14/15
- £0.4m ILL Fukushima allocation not all required as a result of the favourable exchange rates. BIS has given approval for STFC to use elsewhere and Executive Board will review priorities.

16.8. Jane informed Council that whilst the finances are in good order for 12/13, future funding was now in the “deepest of black” category
within STFC’s Corporate Risk Register. This was due to uncertainty over our ability to fund our facilities at optimal levels, absence of head room for new projects, lack of seedcorn funding for new exciting ideas and concerns at the level of capital, despite receiving ad-hoc amounts from Government. As discussed, as part of the CEO Report, the cumulative impact of inflation and other pressures on STFC’s programme mean that difficult choices will need to be made. Jane shared with Council a table that she had shared previously with senior staff at the Leadership Conference. This demonstrated, based on a starting point of 2101/1, that cumulatively £84m will have had to have been absorbed by 16/17 assuming a flat cash rollover in 14/15.

16.9. New BIS targets mean STFC must manage their budgets on a “pin head”, not being able to over spend or carry over underspends. Jane stated that STFC should be aiming for less than this as 1% translates to £3.9m Resource and £1m for Capital. At the recent Leadership Conference Jane had set out to senior staff the importance of reporting as soon as possible any under or overspends as not coming in on target will mean missed opportunities for STFC. She had told them that good financial management was not an option and that STFC needs to diversify its income and become less reliant on Government funding.

16.10. Council noted that the deal to lend money to NERC in order to manage the capital situation as good financial management and Graeme Reid commented that this type of management of funds could also be carried out with HEFCE.

16.11. Council discussed the potential EU Science funding that we have not tapped into yet and also the potential for other nations such as Germany having a share in our facilities.

16.12. There was a brief discussion on the Shared Services Centre. Jane commented that it was in better shape than it was 12 – 18 months ago and had recently received technical sign off by the BIS Assurance Board. BIS and their partners will be coming on board in the next year in three phases but the RCs will still make up 2/3 of their users. Marshall Davies reminded Council that due to BIS coming on Board there will be an additional cost required to all Councils to move to the new Oracle platform of c.£9m. There is no funding for this.

17. **SCORECARD REPORT Q1 AND Q2**

17.1. Council noted the scorecard update which showed that 2011/12 Scorecard report was submitted to BIS by the due date. The report covered the first two quarters of 2012/13 year and provided a forward look for the third quarter 2012/13.
17.2. All targets and deliverables were met for the half year, and are on track for the third quarter 2012/13.

18. **BIS SIX MONTHLY REVIEW MEETING**


19. **HEALTH AND SAFETY REPORT**

19.1. Council noted the Q2 report and the improved reporting of near misses. Council commented on the usefulness of the bar charts within the report.

19.2. Council noted that an investigation was underway as to the cause of the electricity blackout at RAL. Gordon Stewart had tabled a paper to Council to explain possible causes that were being investigated as were lessons learned from the incident in communication and back up system failures.

20. **AUDIT COMMITTEE REPORT**

20.1. Council noted the Audit Committee report and the new appointments of David Noble (recently retired from the Ministry of Defence) and Angela Marshall (has undertaken consultancy work in the past advising Her Majesty’s Treasury, and Local Authorities and is a member of the risk and reporting committee for the BIG Lottery).

20.2. During the Council meeting on 10 July 2012, Council highlighted some inaccuracies in the Audit Committee June (draft) minutes and asked that these are corrected. The correction has been made and a copy of the final June minutes were included with the paper to this meeting.

   Note: The Council minutes from 10 July 2012 meeting require amendment: the date of the Audit Committee meeting reported on at this meeting should be amended to read 7 June 2012 (currently reads 18 April 2012).

21. **ANY OTHER BUSINESS**

21.1. There was no other business

22. **MEETING CLOSE**

22.1. The meeting closed at 15.25hrs.