

MINUTES OF THE TWENTIETH MEETING HELD ON 24 MARCH 2009 AT THE RUTHERFORD APPLETON LABORATORY

Council Members present: Peter Warry (*Chairman*)
Martin Barstow
Keith Burnett (*by phone*)
Marshall Davies
Mike Edmunds
Philip Greenish
Philip Kaziewicz
Peter Knight
Keith Mason
Anneila Sargent
James Stirling

DIUS: Paul Williams

In Attendance: Graham Brooks
Paul Hartley
Terry O'Connor (*Executive Secretary*)
Gordon Stewart
Jane Tirard
Jenny Thomas (*Chair, Science Board*)
Richard Wade
Colin Whitehouse
John Womersley (*for items 1-3*)
Ruth Jeans (*Minute Secretary*)

WELCOME

The Chairman welcomed members and attendees to the meeting. In particular, he welcomed Anneila Sargent who was attending her last meeting, and the three newly appointed Council members, Professor Martin Barstow (*University of Leicester*), Professor Sir Peter Knight, (*Imperial College*), and Professor James Stirling, (*University of Cambridge*).

It had been Council practice that each member takes an oversight role for a key area of the Council's business. Following discussion with the new members, it

had been agreed that Martin Barstow would take over the international relations role from Anneila; James Stirling would join Keith Burnett on overseeing the science programme; and Peter Knight would assume a new role, overseeing the interface with the other Research Councils.

The agenda was re-ordered to take item 7.3 - Budgetary Preparation, as the first substantive item.

1 MINUTES OF THE MEETING HELD ON 24 February 2009

- 1.1 The minutes were agreed to be a correct record of the meeting, and were signed by the Chairman.

2 ACTIONS AND MATTERS ARISING

- 2.1 **Facility Oversight:** The action '*to notify Council when the Facility Oversight committees were established*' had been omitted from the Action List, and should be added. Richard Wade confirmed that the Terms of Reference had been agreed, and members were currently being selected. He agreed to notify Council when the first meetings had been arranged.

Action: R Wade

- 2.2 **Review of Facilities:** Richard Wade reported that further consideration is being given to the introduction of international reviews of facilities, and he intended to present a fuller proposal to the next meeting.
Action: R Wade
- 2.3 The remaining outstanding actions were dealt with under agenda items, or were ongoing.

3 BUDGETARY PLANNING 2009/10 – 2010/11

- 3.1 The item had been presented in two parts, 1) a report on the status of the financial restructuring plan, (*agreed by Council and put in place following the last CSR*), and 2) the new, potentially serious situation relating to allocations for 2009-10 and beyond.

Current status of the restructuring plan

- 3.2 It had been fully understood that the budget figures relied on compensation for exchange rate variations on international subscriptions above the first £6Mp.a., that STFC would be expected to find, (*later changed to £3M*); loans from DIUS in the early years; and access to End of Year Flexibility (EYF).
- 3.3 While it was accepted that access to EYF could not be guaranteed, there was no particular threat to its availability at that time, and therefore it had been agreed with Council and DIUS that it was a sound basis for planning;

- 3.4 This plan had continued to be monitored carefully. Progress had been satisfactory to date, with only some minor internal adjustments and some small programmatic adjustments required in 2009/10. Some larger rebalancing would have been required in 2010-11 and beyond.

Allocations for 2009-10, 2010-11: the facts

- 3.5 During discussion with DIUS over the previous few days, STFC had been informed that there was a possibility that its allocation for 2009-10 may be as much as £23M less than had been requested.
- 3.6 The additional pressure on the budget was due primarily to the adverse movement in exchange rates, which affected the cost of our international subscriptions. Moreover, if there was no improvement in the exchange rate situation there would be further pressure in the order of £43M for 2010-11.
- 3.7 Because of the gravity of the situation, and bearing in mind that the new financial year was only two weeks ahead, contingency planning had to commence immediately. Subscriptions and running costs of facilities meant that 80% of STFC's expenditure was effectively fixed, and only (approximately) £20m was as yet formally uncommitted for 2009-10 - even this was earmarked for key programmes and grants.
- 3.8 Paul Williams re-iterated that the financial pressure was a direct result of the fall in the value of sterling, and that while this mostly affected STFC and NERC in terms of international subscriptions, the solution was being sought across the whole science budget.
- 3.9 He also stated that STFC had forecast a requirement of £503M in 2009-10, based on the baseline allocation of near-cash of £434M, plus coverage of exchange rate fluctuations; a loan of £20M from within the Science Budget; and planned EYF from 2008/09.
- 3.10 The requirement of £503M was an integral part of the 3-year restructuring plan and was therefore already constrained. The DIUS guidance on a potential reduction to the STFC budget related to this forecast of £503M.
- 3.11 DIUS had been working with all the Research Councils to identify possible savings for 2009-10 and all had responded except STFC. STFC was now required to respond as a matter of urgency.

Points made by Council during discussion included:

- Consider the scope of (*the rumoured*) government fiscal stimulus, in particular whether it would be appropriate to apply the EI argument, (i.e. that all reductions to budgets would result in the loss of high quality skilled staff - the very people who would be necessary to help the country out of recession, and provide the skills for a sustainable knowledge based economy);

- Treasury and DIUS should be encouraged to look at currency fluctuations across the Research Councils or even the government portfolio. For example, investigate potential savings from 'dollar' contracts to help offset the weakness of sterling against the euro;
- Longer-term, consider whether there would be the scope to re-negotiate existing international subscriptions, with the intention of reviewing when sterling recovered;
- Longer term, consider negotiating with CERN; ESA; ESO; to pay an element of the UK subscription in sterling, commensurate with those parts of their expenditure that were placed sterling contracts;
- Encourage DIUS Ministers to discuss the issues with their Treasury and European colleagues, to identify where they could wield influence in finding a solution;
- The grant line had already been reduced by 25%, and increases in the international subscriptions were therefore increasing the disparity between the amount STFC spent on subscriptions, and the value of the exploitation funded through grants. We should therefore seek to redress and maintain an appropriate balance;
- by reducing the number of grants or cancelling existing grants, it would not just be staff posts that would be withdrawn, but with the HEI's reliance on FEC through grant funding, a reduction in the associated costs would indirectly have a wider consequence on the support provided to the universities;
- there was no guarantee that by pulling out of an international subscription, the rest of the programme would be protected in the future;

3.12 It was agreed that a way must be found to redress the balance between the subscription and facility costs on the one hand, and their exploitation through grants, science programmes etc.

Allocations for 2009-10 – the process

3.13 Regarding the process for responding to DIUS, it was clear that swift action was required, and an effective communications plan needed to be prepared urgently.

3.14 Points made by Council during discussion included:

- DIUS required a response by the end of the meeting;

- It must be made clear to DIUS that any further cuts would cause catastrophic damage to the science programmes; to the reputation of STFC and government;
- Note that recently announced new grants would be commencing on 1 April;
- STFC would need to consult with the community at the Town Meetings to be held in April;
- STFC must discuss the position with the other Research Councils;
- It was important that Ministers were made aware of the potential adverse consequences of reducing STFC's allocation, particularly in a context where Ministers had been contacting academics for initiatives to be included in a possible fiscal stimulus package.
- It was also essential that Ministers be made aware of the crucial differences between STFC (with its high proportion of 'fixed' costs), and other RCs, and the difficulty and potential damage to long-term strategy of making radical reductions in spending at short notice;
- Consideration should be given to more extensive 'buying forward' of currency, not least to stabilise the in-year funding requirements.
- The response must cover the scientific, reputational, and political consequences on the whole programme including grants; all facilities; SSC; key programmes etc - not just selected areas.
- Also important to re-iterate the 'inflexibilities' within the programme for 2009-10, as well as the small size of the 'discretionary' funding element.

In summary, Council was unanimous in agreeing the following:

- STFC's response to DIUS should include a comprehensive 'menu' of options as the basis for further discussion;
- Each option should demonstrate the full extent of the consequences that would result, including the political and reputational damage, as well as the health of the UK science programme;
- The 'menu' should be listed alphabetically in a series of steps up to £5M; £10M; and £23M.
- Council emphasised that a cut of £23M in the STFC budget would cause catastrophic damage and would be totally unacceptable.

3.15 Council agreed that the response would be submitted to DIUS by close of play on 25 March. Because of the publicised strategy consultation timetable, it was made clear to DIUS that key stakeholders would need

to be informed of these developments before 6 April, prior to the Town Meetings scheduled for early April.

- 3.16 Management insisted that transparency was essential, and the management of the external engagement process had to be very carefully considered. **Action: K Mason/R Wade**

4. STRATEGY CONSULTATION

- 4.1 Gordon Stewart drew Council's attention to the consultation feedback and summary contained in the Council papers, and reminded members of the 3-stage approach endorsed at its last meeting, namely **1)** publishing a revised strategy by the end of April, (*although this would not be a definitive or comprehensive document*), **2)** completing the prioritisation exercise by the autumn, and **3)** putting into effect the strategy implementation plan by the end of April 2010.
- 4.2 Following discussion, Council agreed that in the light of the earlier budgetary discussion, the first stage - (*publishing the revised strategy document*) - should be delayed until the end of May, along with the publication of the next version of the Delivery Plan. Paul Williams was asked to convey this decision to DIUS.
Action: P Williams
- 4.3 Gordon Stewart advised Council that an introduction to an updated strategy document (*entitled " Executive Summary"*) had been re-drafted recently, based on discussion with Keith Mason and Richard Wade. The document would be circulated to members for their comments on whether it sets the right tone and direction for the remainder of the document.
Action: G Stewart
- 4.4 Council agreed that the version to be published in May must provide a clear sense of direction, and demonstrate to staff and stakeholders that STFC should be viewed as more than the 'sum of its parts', and should answer the question " Why STFC"?
- 4.5 It was Gordon Stewart's view that the new Executive Summary document still did not sufficiently demonstrate these aspects, and welcomed Council's comments.
- 4.6 Council agreed that the document should reflect the need to reconsider the balance between subscriptions and facilities and their exploitation.
- 4.7 In addition, it would be important to reflect the view of the majority of stakeholders consulted, that, if resources were limited, specific area(s) of science should be prioritised, rather than trimming relatively small amounts from across the whole STFC programme.
- 4.8 Council emphasised that science was at the heart of STFC's programme, but that it was incumbent on everyone to maximise the value and impact that could be derived from this programme.

5 CEO REPORT

- 5.1 Council noted the report.

6 OPERATIONS REPORT

- 6.1 Council considered the report on the CLOVER project. Following discussion, and in the light of the repeated and significant cost increases, Council regrettably agreed that it could not recommend the continuation of the project, and that funding should be withdrawn. Richard agreed to inform the project.

Action: R Wade

- 6.2 The delay in completing the commissioning of VISTA, and the ongoing technical problems were being actively monitored by STFC management. While the problems encountered were not fundamental, and indeed not uncommon during the commissioning of a novel and complex instrument. The survey would now not commence until at least the summer, and some ESO Member States were expressing concern.
- 6.3 STFC's position was that the value of VISTA has not changed materially. Although the Accession Agreement signed with ESO stated that the UK should be liable for penalties, the UK's position was that there was no legal or material justification for doing so. VISTA was still a cutting edge instrument and the scientific value of the survey had not in any sense been undermined by the delay. Marshall Davies pointed out that if penalties were pursued, there would be implications for the Annual Report and Accounts.
- 6.4 Council noted the Blueprint report, and requested a fuller report at the next meeting. **Action: R Wade**
- 6.5 Council noted the remainder of the Report.

7 CAMPUS REPORT

- 7.1 Colin Whitehouse reported that RCIAS had recently completed a six-monthly audit of the Campus projects and had given a full assurance report.
- 7.2 He also informed Council that the report on the Manchester Independent Economic Review, (McKillop Report), would be published on 26 March. Following its publication, he would then circulate the Report to members for their information. The recommendations would also be reported on more fully at the next meeting of Council. **Action: C Whitehouse**
- 7.3 The Daresbury Joint Venture was now progressing very rapidly, and the recommendations from the Review would be discussed at the JV Board meeting on 30 March.
- 7.4 Council noted and welcomed the report.

8. SSC MIGRATION

- 8.1 The Report was noted, and Council agreed to review the status of the Project at its meeting in July, to determine whether it was in a position to proceed. **Action: J Tirard**

9. FINANCE REPORT

- 9.1 Council noted the report.

10 QUARTERLY HEALTH, SAFETY AND ENVIRONMENT REPORT

- 10.1 Referring to the Environmental Agency's Enforcement Notice, Paul Hartley reported that a letter was due to be sent to the Agency, confirming that the sixth and final action placed on STFC had now been completed.
- 10.2 Council noted the Report.

11. QUARTERLY SCORECARD REPORT

- 11.1 Council noted the Report.
- 11.2 On a 'presentational' point, it was suggested that Amber projects which had become 'Green' should be listed at the end of the document for clarity. **Action: G Stewart**

12. AUDIT COMMITTEE REPORT

- 12.1 Marshall Davies presented the Report.
- 12.2 He confirmed that the Risk Management Policy document which had been requested by the Audit Committee would be available for the next meeting of the Committee. Risk management had been a concern of the Committee for some time, and it now wished to closely examine risk management across the organisation.

13. ANY OTHER BUSINESS

- 13.1 Council expressed concern at the lateness of papers and their 'piecemeal' distribution. **Action: Secretariat**
- 13.2 Members were requested to inform the Secretariat of any changes to the Register of Interests. **Action: All**

In his farewell comments to Anneila, the Chairman, on behalf of Council, thanked her warmly for her long and loyal service – first to the PPARC Council and then to STFC, pointing out the extraordinary lengths that she frequently had to go to, in order to attend Council by telephone - often in the early hours of the morning, US time.

He expressed his gratitude for her support to him personally as well as to the rest of Council which had been much appreciated, and he wished her well in her new role as Vice President of Caltech.

Anneila thanked the Chairman for his comments. She said how much she had enjoyed her time as a Council member and valued the experience gained from her time on both the PPARC and STFC Councils. She wished her colleagues on Council and the staff of STFC, best wishes for the future.

The meeting closed at 5.30pm