

Sterling's slide sets fresh challenge for facilities council

The Science and Technology Facilities Council could face renewed funding pressure unless the government steps in to help meet the mounting costs of international subscriptions, observers of the agency say.

Following the steep decline of the pound against the euro and the Swiss franc over the past year, the STFC and the Natural Environment Research Council could face considerably larger bills for their participation in programmes such as CERN, the European Space Agency and the European Southern Observatory.

The pound's value has plunged sharply against the euro and by almost a fifth against the Swiss franc, in which CERN subscription fees are payable, over the past 12 months (see below). Where £1 would have bought around 2.5 ChF this time last year, it was worth just over 2.04 ChF on 2 June, having dipped below the 2 ChF mark last month. The pound's value has followed a similar trajectory against the euro.

The STFC pays out over half its budget to international programmes in these two currencies, and anxiety is mounting in the research community about how it will meet the extra costs.

"As we know from the current situation at the STFC, the nature of the council is such that if you have any gains or losses they get concentrated in the bits of flexible money they have," says Peter Main director of science and education at the Institute of Physics. "This is generally the money they supply to people to exploit facilities—the money given to do research".

The STFC accounts for 2007-08 show that the council paid a total of £77.8 million for access to CERN—the most expensive project on its books. The council pays

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two-thirds of its CERN bill in April each year and the rest in January. The April payment for this year was £54.9m, suggesting that the total cost will not be much higher than anticipated, at least for this year.

Keith Mason, chief executive of the STFC, told MPs in January that he expected currency fluctuations to cost the council around £10m extra over the next three years. However, the pound has fallen further since then and a spokeswoman for the STFC was unable to give an updated figure, although the council does admit to being "very concerned" about the possible effects of fluctuating exchange rates.

The situation could be exacerbated by changes that came into effect this year regarding the funding regulations for subscriptions. Previously, the government absorbed the cost of currency fluctuations by taking money directly from the Science Budget. However, the STFC and NERC now receive a maximum annual allowance of £6m to deal with currency fluctuations.

DIUS is currently in talks with both councils about how the issue will be addressed. But under the new rules, it is under no obligation to give them any extra money.

NERC is less seriously affected than the STFC because its only major subscription is to the ESA. But the council has nonetheless been put on edge by recent movements on the market. "Undoubtedly, if this current trend in exchange rates with the euro continues, then the cost of our very large international payments, such as the ESA subscription, could increase significantly," a NERC spokeswoman told *Research Fortnight*. "As part of our normal management procedures we are keeping a close eye on that—along with everyone else in the country."

The effects of currency fluctuations on CERN, ESA, and ESO payments are mitigated by the fact that each country's fee relates to its national net income (NNI). This means that countries that earn a higher income are asked to contribute more to stay in the project. The calculation is influenced by exchange rates and will, in effect, reduce the negative impact of the weakening pound by about one third.

However, the NNI contribution rates for CERN and the ESO have not yet been agreed for this spending review period, so the total cost for this year remains unknown. Fluctuations in the NNI were also once taken from the overall Science Budget, but are now supposed to be met by the research councils—from budgets allocated before the NNI calculation is made.

