

JOINT LASER CENTRE

Notes for consideration of Mechanism on Financial Organization and
Relationship between AERE and Rutherford Laboratory

These notes are based on the premise that the Centre will be a joint operation.

I make this particular point because I understand that this has not yet been agreed at Ministry or Treasury level and there is a possibility that the joint nature of the project might be in doubt. A second point for question is the proportion in which any sharing of costs might be considered. Paragraph 8.2 of SRC 107-74 refers to "capital and operating costs, and the effort, shared appropriately between the SRC and the AEA". It falls for consideration as to whether this means a sharing in accordance with usage and if so what would constitute usage? There is a question as to different considerations applying between capital and operating costs and the principles to be applied in the sharing of costs in either instance.

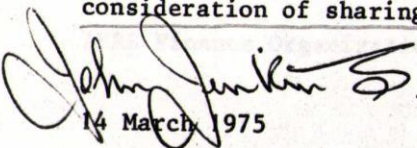
Excluding the above points we would require to determine prior to the commencement of the operation the method of sharing of costs, both capital and operating, the determination of ownership of both property and equipment and the responsibilities and liabilities of each organization (A) during the length of the joint operation and (B) on dissolution. This point is made as a result of Lomer's comment at our last meeting when he indicated that the participation by AERE would not be permanent. This would indicate that a decision should be reached regarding the eventual ownership of both property and equipment and this in turn would suggest the area in which the initial recording of assets should be maintained.

It has been agreed that, certainly in the early stages of the operation the AERE Finance Organization should be used to carry out the paying function for

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the Centre. I had a preliminary discussion with John Wright yesterday on the type of information which he would require to transmit to us and the periodicity of such submissions. It was agreed basically that a statement accompanied by copies of invoices would be preferred. This statement would show all payments, including internal transactions such as Stores Withdrawals etc, and would record the share (at whatever percentage is agreed) due by SRC less any advances made during the period of the statement. I will require to satisfy myself that this type of documentation will be acceptable to both our internal audit team and to Exchequer and Audit. One point was raised tentatively by Mr Wright to which I immediately took great exception. He indicated that he had been instructed to advise me that overhead charges would be raised on work done by the Harwell Organization as if this work was being carried out for a non-AEA Organization. I naturally indicated my dissatisfaction at this attitude and pointed out that the "customer" was in fact the Joint Laser Centre and not the Science Research Council. Mr Wright expressed his willingness to report my feelings to his superior. One further point for clarification concerns Value Added Tax. By the nature of the Harwell Function they are in a position to recover VAT Output Tax. We are not. Because of this anomaly I would wish a ruling on whether the sharing of costs should take into account the added burden of VAT which will fall on the Science Research Council or if this should be outwith the agreement.

We further discussed the question of staff costs and agreed that we would have to formulate a standard method of allocating overheads for both AEA and SRC staff if it is intended that staff costs should be included in the consideration of sharing between the two organizations.

No!

14 March 1975