The Thirty-third Meeting of the Council was held in the Council Room, 170, Queen’s Gate at 10:30 a.m. on 12th December 2003, when there were present:

Lord Vincent (Chairman), Mr. G. Able, Professor J.N.B. Bell, Professor Sir Leszek Borysiewicz, Dr. E. Buttle, Mr. B. Gidoomal, Professor M. Green, Professor D. Griffiths, Professor M.P. Hassell, Mr. D.P. Hearn, Professor Dame Julia Higgins, Dr. M.P. Knight, Professor F. Leppington, Professor G.H.C. New, Professor J.D. Perkins, Professor R.D. Rawlings, Eur. Ing. A.D. Roche, Dr. C.L. Vaughan, Dr. D.J. Wilbraham, Sir Peter Williams, the Rector, the Deputy Rector and the President of the ICU, together with the Clerk to the Court and Council.

In attendance: the Director of Finance, the Director of Estates, the Director of Human Resources, the Director of ICT, the Director of Strategy and Planning, the Pro-Rector for Public and Corporate Affairs, the Director of Operations, the Imperial College Union Observer and the Assistant Clerk to the Court and Council.

Apologies: Mr. P. Gershon, Professor S.P.F. Hughes, Professor A.B. Kay, Mr. H.B. Lowe, Mr. R.J. Margetts, Dame Judith Mayhew, Sir Alastair Morton, Dr. B.G. Smith, Dame Rosemary Spencer, the Academic Registrar and the Director of Project Management & Communications.

MINUTES

Council – 24th October 2003

1. The Minutes of the Thirty-second Meeting of the Council, held on 11th July 2003, were taken as read, confirmed and signed.

MATTERS ARISING

Long-Term Maintenance Funding Gap (Council Minutes, 24th October 2003, Minute 2)

2. The Director of Estates, Mr. Brooks Wilson, said that the condition surveys needed to provide a proper analysis of the long-term maintenance (LTM) funding gap had not yet been completed and that he would bring a report on the College’s liability to the Council’s next meeting. He reminded Governors that this had been assessed at £155M in 2000. Refurbishments had already reduced this figure to £131M and the condition surveys completed thus far indicated that it would be further reduced. The College was, he said, reducing this liability by about 5% per annum and, with further refurbishments and re-builds included in the Capital Investment Plan, he expected this reduction to continue. He was pleased to confirm that there were no LTM issues identified as
potentially ‘life-threatening’ which had not been fully addressed.

Diversity Training for Governors (Council Minutes, 24th October 2003, Minute 3)

3. The Director of Human Resources, Mr. Gosling, said that a diversity briefing for Governors had been arranged for 27th January 2004. An invitation had been sent to all members of the Council and a detailed programme would be circulated shortly. Mr. Schneider, who would be leading the briefing session, was the Director of a company with extensive experience in supporting diversity in both the public and private sectors and Mr. Gosling urged members to attend. Professor Leppington, the Chairman of the College’s Equal Opportunities and Diversity Committee, agreed, saying that the College had taken significant steps in addressing diversity issues, but that, if these measures were to be effective, they had to be supported from the top.

Disposal of Cobham Sports Ground (Council Minutes, 24th October 2003, Minute 44)

4. The Director of Estates, Mr. Brooks Wilson, said that the disposal of Cobham Sports Ground had still not been completed. However, he hoped that the sale would be concluded in the next week or so.

RECTOR’S BUSINESS

Staff Matters (Paper A)

5. The Rector formally presented Paper C, which was received for information.

Oral Reports

6. The Rector reminded Governors that a review of the College’s Support Services was being conducted with the assistance of the Boston Consulting Group (BCG). The Review was currently concentrating on three main areas – decision-making, service delivery and value for money. Its first recommendations concerned decision-making and focussed on the Executive Committee. Because this Committee’s remit included all aspects of the College’s strategy and operations, there was a danger that it could concentrate on operational issues, which meant it had less time to consider strategic matters. It had therefore been agreed that, from January, the Executive Committee would be replaced by a Management Board and an Operations Committee. The latter would concentrate solely on operational issues, allowing the Management Board to give its time to the consideration of strategy. To cover the two main strands of the College’s activities, the College’s Research Committee would, in future, report to the Management Board, as would a new Teaching and Learning Committee.

7. Turning to service delivery, the Rector said that academics currently spent too much time dealing with administrative issues, such as financial and staff management matters, for which they were not qualified, at the expense of delivering the College’s teaching and research mission. The review of service delivery was intended to address this problem by ensuring that the administration provided a professional, customer-focused service to the academic community, thereby releasing the latter’s time for academic work. As part of this it was proposed that the College’s administration should be reorganised into a small strategic centre, some shared services and a cluster of services in each Faculty from which most of the administrative support required by academics could be delivered.

8. The third area at present being reviewed was procurement and here some notable successes were being achieved. Savings of £5M had already been identified and it was clear that there would be many other opportunities to realise further economies. By the
end of the Support Services Initiative the Rector hoped that significant improvements would be seen across the College.

9. Moving on, the Rector said that the Lambert Review of the relationship between Higher Education and Business had now been published. The Review had concentrated on Higher Education’s ability and willingness to work with industry to supply research, development and technology transfer and had mentioned Imperial as an example of best practice in a number of areas. It was disappointing, however, that the Review had not also considered industry’s willingness to engage with Higher Education and make use of university resources to improve its research and development. It was clear that spending on R&D by British Industry was variable, and was, in general, less than in the rest of Europe and the US. It was expected that the Chancellor of the Exchequer would introduce measures to incentivise spending on R&D, but it was not yet clear how successful these would be.

10. Concluding his Report, the Rector remarked that the Government was very committed to introducing variable student fees. However, given the degree of opposition from backbench MPs, it was possible that the Higher Education Bill might eventually include a condition that up to a third of the income generated from top-up fees would have to be used to support widening participation. Professor Dame Julia Higgins asked if the Russell Group Universities were all supporting the Government’s proposals. The Rector confirmed that they were and said that it was the rest of the sector that was divided. A number of the post-1992 universities were opposed to the introduction of variable fees and would prefer a flat fee increase.

A College Bursary Scheme (Paper B)

11. Introducing Paper B, the Rector noted that Cambridge had recently announced a scheme to provide up to £4,000 per annum for poorer students and proposed that the College should consider introducing a similar initiative. If this was agreed, the timing of any announcement would be important and he suggested that it should be made once the Higher Education Bill had been published to provide additional support for the Government’s proposals. Such a scheme would cost £3½M of the additional £11M that top-up fees would generate for the College. More importantly, though, it would ensure that the College could continue to select the best students, regardless of their ability to pay.

12. Mr. Hearn said that Cambridge’s announcement had been very positively received. He confirmed that it was the intention at Cambridge not to use student fee income to pay for its bursary scheme, but rather to raise the funding required from its alumni. Mr. Gidoomal asked if there were opportunities for Imperial to work with outside bodies to provide additional funding and bursaries. As an example, he said that banks might be interested in sponsoring students who would then join the bank on graduation.

13. The Rector said that, contrary to much media coverage, the main factor contributing to student debt was not the cost of fees, but that of maintenance and it was in this area that the biggest inequalities were seen. He believed that this was where the Government should concentrate its support and funding. Once variable fees were introduced, he was sure that companies would introduce schemes to assist students to repay their debts. Indeed, he thought companies would compete to pay off students’ loans in order to attract the best graduates. This meant that the concentration in the media on the level of students’ debt at the end of their courses was misleading as it was likely that they would have the opportunity to get rid of that debt through imaginative schemes offered by potential employers. He also believed that, as the majority of medical students would work for the state on graduation, the Government should provide grants for these students in return for a commitment to work in the NHS for a
Resolved: That, contingent on the content of the Higher Education Bill, the development of a College Bursary scheme, as set out in Paper B, be approved. The details of the Scheme are to be approved by College’s Management Board and announced at an appropriate time during the passage of the Bill.

ANNUAL REPORT BY THE FELLOWSHIPS COMMITTEE (PAPER C)

14. The Rector introduced Paper C. In response to a query from Professor Bell, he said that the Fellowship of the College was the highest honour it could itself confer, whereas the award of Honorary Degrees had to be approved by the University of London. Consequently, Fellowships were usually awarded to distinguished individuals with a close connection to the College.

Resolved: That the recommendations for the award of Fellowships and Honorary Degrees, as set out in Paper C, be approved.

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31ST JULY 2003 (PAPER D)
MANAGEMENT LETTER (PAPER E)
ANNUAL REPORT FROM THE AUDIT COMMITTEE (PAPER F)

15. The Chairman suggested that, as they were all interrelated, Papers D, E and F be taken together and the discussion of the Financial Statements be deferred until after Mr. Hearn had presented the Audit Committee’s Report.

16. The Director of Finance, Mr. Cannon, introduced Paper D and said that the production of the Financial Statements was now much more efficient than in previous years. This had resulted in them being produced three weeks earlier than last year. Mr. Cannon went on to highlight the main features of the Statements. For the first time the turnover of the College and its subsidiary companies had exceeded £400M, from which it had generated an operating surplus of £2.9M. This was very close to the surplus of £3.1M that had been forecast in July. Research income at £167M had also increased by 9% over the previous year. This compared very well with the other major research universities and was higher than both Oxford and UCL.

17. Mr. Cannon then introduced Paper E. The external auditors had, he said, made fewer recommendations than in previous years and had assigned these recommendations a lower priority. He confirmed that all of their recommendations would be addressed and he did not believe that any of these presented the College with any particular difficulties. Mr. Cannon highlighted one change in the Management Letter; in previous years, the College had only been required to implement those adjustments that were considered material to the accounts. However, a new accounting standard now required the College to make all adjustments identified during the audit, regardless of whether or not they were material. He confirmed that the auditors were satisfied that all such adjustments had been made.

18. The Chairman of the Audit Committee, Mr. Hearn, then introduced Paper F. He said that the Audit Committee had been pleased that no new issues had been raised by the auditors and that progress had been made on all the points made in previous years. The Committee had considered the Financial Statements in detail and was able to recommend them to the Council for approval. Turning to the other matters in the Committee’s Report, he noted that there were two particular areas causing difficulties across the Higher Education Sector. These were the requirements to report on value

for money and risk management. He was pleased to say that, in both areas, Imperial was fully compliant with the HEFCE’s requirements and was ahead of many other institutions in this regard. In particular, Imperial had gone further than most in seeking to embed risk management within the College. Concluding his Report, Mr. Hearn said that the current external auditors had been appointed seven years ago and that the Committee was therefore conducting a re-tendering exercise. Recommendations for the appointment of external auditors would be brought to the Council in March, with the new period of appointment commencing on 1st August 2004.

19. Sir Peter Williams asked if the senior audit partner at PricewaterhouseCoopers had changed during the period of appointment. Mr. Hearn confirmed that the senior partner had indeed changed in the previous year.

20. On behalf of the Council, the Chairman congratulated the Finance Division on the improvements it had made in the last few years and thanked all those involved in the production of the Financial Statements.

Resolved: That the Financial Statements for the year ended 31st July 2003, as set out in Paper D, be adopted.

IMPERIAL COLLEGE REPRESENTATION LETTER (PAPER G)

21. The Director of Finance, Mr. Cannon, formally presented Paper G, which was received for information.

REVIEW OF THE COLLEGE’S RISK MANAGEMENT PROCESSES (PAPER H)

22. Mr. Hearn introduced Paper H. He said that, although this was the first full year of operation for its new risk management processes, these were already being embedded within the College. Mr. Hearn also noted that the Executive Committee, when reviewing the Risk Register and Action Plan, had decided to take an extra step in order to align the Register more closely with the College’s Strategic Priorities. This was an indication of the seriousness accorded to risk management by the Executive Committee.

FINANCE MANAGEMENT REPORT (PAPER I)

23. The Director of Finance, Mr. Cannon, introduced Paper I. As it was still relatively early in the year, the figures did not show much variation from the budget. However, current indications were that student fee income would be considerably better than expected. This was largely due to the increase in overseas student recruitment and it was expected that these fees would account for approximately £30M of the College’s income this year. The confirmed figures would be included in the Financial Management Report at the Council’s next Meeting. Moving on, he said that exceptional budgeted income of £9.6M had already been achieved, this being comprised of the sale of Montpelier Hall and 21, Ossington Street, as well as the unbudgeted sale of part of the College’s TurboGenset holding. Concluding his Report, Mr. Cannon drew attention to the College’s debt position which had again improved compared to that at the same time last year.

24. Dr. Buttle queried whether the poor performance of the stock market was having an adverse effect on research income from charities. Professor Sir Leszek Borysiewicz said that charities were reducing the number of grants awarded for this reason. However, the College had received an increased number of grants and had also increased its market share of charity-funded research. It was clear from this that it was the less research-active institutions that were suffering as a result of the reduction in charity expenditure.
25. Sir Peter Williams asked if the equity provided by Dr. Tanaka to fund the Tanaka Building was secure. Mr. Cannon said that, because the repayments would be funded by the sale of these holdings, their timing would be affected by fluctuations in the market. Indeed, Dr Tanaka had recently sold one of these holdings to the value of $4M and these funds were being transferred to the College. The Rector reminded the Council that Dr. Tanaka had also provided the College with a personal guarantee that he would underwrite any funding gap at the end of the period. However, it was expected that the equities would provide the necessary funds for the Building.

REPORT FROM THE FINANCE COMMITTEE (PAPER J)

26. Introducing Paper J, the Honorary Treasurer, Dr. Knight, said that the major issues considered by the Finance Committee had been Burlington Danes, the Science Research Investment Fund (SRIF) projects and the level of capital approvals, all of which were to be considered separately by the Council. The Committee had also considered the process by which the College proposed to monitor the assets earmarked to be held in an 'endowment fund' which would match the borrowing requirement. This was, he said, work in progress and the Committee would continue to refine the process with the Director of Finance and the Pro-Rector for Development and Corporate Affairs.

27. The one other issue considered by the Committee had been a proposal to invest additional funds in one of the College’s spin-out companies, which had been accepted. Mr. Hearn asked from which budget the £650K investment had been provided. Dr. Knight acknowledged that the College should not fund initiatives such as this from its operational funding. He said that the College had recently realised nearly £2M from the unbudgeted sale of TurboGenset shares and that a portion of this income would be used to fund this investment. Expanding on this, Dr. Knight said that he viewed the College’s budget as having three distinct areas; the ‘current account’, which funded the day-to-day operations; the ‘capital account’, which funded the College’s capital programme; and the ‘investment account’, which funded investment in spin-out companies such as this. The challenge for the College was now to build up the capital and investment accounts.

28. Mr. Gidoomal noted that a significant portion of the College’s income came from overseas student fees and asked if this constituted a risk for the College. The Rector said that, if there was a risk, this would come from the Far East and he reminded the Council that, a few years previously, the Malaysian Government had stopped funding its students overseas because of problems in the domestic economy. China was now fast becoming dominant in the overseas market and was sending increasing numbers of students to the UK. He acknowledged that there was a risk that the Chinese Government might change its policy and decide to educate these students in China, but for the time being it was promoting this expansion in overseas numbers. Dr. Eastwood reminded the Council that more than 50% of the College’s overseas students came from the Far East, including China.

29. Dr. Vaughan noted that Imperial College Innovations Ltd. was working on a policy to deal with future investments in spin-out companies and she asked if this policy would include the referral to the Council of larger investments. Dr. Knight said that major investments would be referred to the Council in line with the Council’s policies on delegated powers of approval and with the College’s Financial Regulations.

THE BURLINGTON DANES PROJECT (PAPER K)

30. The Director of Estates, Mr. Brooks Wilson introduced Paper K and reminded the Council that it had been informed at its February Meeting of a proposal to build a new
research facility on the Burlington Danes site adjacent to the Hammersmith Hospital. At that time the proposed building had had an estimated cost of £115M. Since then the Project had been re-engineered and it was now proposed to build a facility on the same site at a total cost of £55M. In the interim the College had been working closely with the Hammersmith Hospitals Trust and with its other proposed partners in the Project, GlaxosmithKline (GSK) and the Medical Research Council (MRC) and had also been reviewing all the risks associated with the Project. Both GSK and the MRC were due to approve their contributions to the Project shortly. The College’s contribution would be £20.816M. This included £13.5M from SRIF funding to be provided by HEFCE. The College had originally intended that this sum would be used for a refurbishment project at its Charing Cross Campus but now proposed to divert it to the Burlington Danes Project. Concluding his Report Mr. Brooks Wilson said that HEFCE had that morning indicated that it would not object to the College’s proposal to use the SRIF allocation in this way.

31. Dr. Vaughan noted that Imperial’s portion of the risk on the Project would be covered by the Hammersmith Endowment Fund and she asked what this was. Professor Sir Leszek Borysiewicz said that the consultants at the Hammersmith Hospital had raised the Fund to support research at the Hospital. In a recent vote, 80% of the consultants had agreed that up to £2M of the capital in the Fund could be released to support this Project. This demonstrated that they all recognised the Project’s importance for the future of research at the Hospital.

32. Dr. Knight said that the development stage of the Project had been particularly difficult and he paid tribute to the work undertaken by staff in the Estates Division and in the Faculty of Medicine to bring this to fruition. However, he believed that this phase would have been even more complex without the discipline imposed by the College’s project planning and approval process.

33. Dr. Vaughan noted that the Project had been scaled down from the first proposal costing £115M and asked what the College was losing as a result. Professor Sir Leszek Borysiewicz reminded members that it had originally been proposed to involve an external developer who would have been responsible for delivering the building. The original proposal had included additional space that would have been used by the developer to recoup their investment. It was this extra space that had been removed from the scaled down Project. He assured the Council that Imperial’s needs as well as those of GSK and the MRC would be fully met by the proposed building.

Resolved: That, subject to HEFCE approval to transfer SRIF II funding and relevant agreements with external partners that conform with Paper K, the Burlington Danes Project be approved with a total Project cost of £55.132M, of which the College’s contribution will be £20.816M.

SCIENCE RESEARCH INVESTMENT FUND ROUND 2 (PAPER L)

34. The Director of Estates, Mr. Brooks Wilson, next introduced Paper L. He reminded the Council that HEFCE had awarded the College £62.8M from Round Two of funding from the Science Research Investment Fund (SRIF). Of this, £13.5M would be used for the Burlington Danes Project, with the remaining £49.3M to be used for the projects set out in Paper L. A condition of this SRIF funding was that the College provide an additional 10% towards the costs of the projects and that they should all be completed by March 2006. Concluding his Report, Mr. Brooks Wilson said that the proposals had all been considered and endorsed by the Executive Committee and the Finance Committee. Dr. Knight confirmed that all the projects were included in the Capital Investment Plan and that the associated expenditure was included in the College’s cash flow forecasts.
35. Dr. Vaughan asked if all the College’s bids to the SRIF had been successful. Dr. Eastwood explained that the College had been allocated £62.8M on a formulaic basis rather than as a result of a bidding process and that its allocation had been one of the highest in the Country. However, the College had to obtain approval from HEFCE for the projects it proposed to fund from this allocation, hence the need to get approval for the transfer of £13.5M to the Burlington Danes Project. Dr. Vaughan said that the need to complete all the projects by March 2006 presented the College with a very tight timescale and she asked if it could be achieved. The Deputy Rector said that the SRIF One projects were being completed on time and to budget and that the College expected to do the same with those in second round.

36. Mr. Roche asked if all the projects would be compliant with health and safety and disability requirements once completed. Mr. Brooks Wilson confirmed that this was the case. The Chairman then reminded the Council that the College’s LTM liability had been discussed earlier in the Meeting and that these projects would all assist in reducing that liability still further.

Resolved: That, on the recommendation of the Finance Committee, the Science Research Investment Fund Round Two Projects, as set out in Paper L, be approved with total costs of £55.523M, including the College contribution of £6.205M.

APPROVAL OF CAPITAL PROJECTS AND MAJOR PURCHASES AND DISPOSALS (PAPER M)

37. Introducing Paper M, the Clerk reminded Governors that at present all purchases, disposals and projects with a value in excess of £1M had to be approved by the Council. This limit had been in place for at least 10 years, during which time the College had more than doubled in size. Its annual turnover had increased to an even greater extent, as had its annual capital expenditure. It was therefore proposed that this limit should be increased to £5M for those projects which had already been notified to the Council through the Capital Investment Plan. Approval of projects that were not included in the Capital Investment Plan, or for which significant development work was required, would be delegated to the Finance Committee up to the limit of £5M. He stressed that this change was predicated on the existing checks and balances for monitoring capital expenditure remaining in place. The proposals had been considered and endorsed by both the Finance and Audit Committees.

38. The Honorary Treasurer, Dr. Knight, supported the proposals, saying that this represented a pragmatic way forward for the College. He then highlighted in particular the important difference between capital expenditure on those projects included in the Capital Investment Plan and the development expenditure required on larger projects before they could be included in the Plan. Mr Gidoomal asked if HEFCE’s permission was required to increase the approval limit as was proposed. Mr. Cannon confirmed that this was entirely a matter for Governors themselves.

39. Dr. Vaughan expressed her support for the proposals, but suggested that a different level of approval might be required when considering potential investments in spin-out companies as the nature of risk in these cases was different to that involved in capital expenditure. She asked that the Finance Committee consider the appropriate approval level for this type of investment when it reviewed the draft policy on investments currently being prepared by Imperial College Innovations.

Resolved (i) That, for projects which have been approved in principle by the Council through the Capital Investment Plan, the limit above
which the Council's specific approval is required will be increased from £1M to £5M.

(ii) That final approval for those projects with a value of less than £5M, which have been included in the Capital Plan and approved in principle by the Council, be delegated to the Rector, as advised by the Management Board.

(iii) That the Finance Committee be given delegated authority to approve expenditure in excess of £1M where such expenditure is required either to enable a project which has not yet been sanctioned by the Council to be completed, or for the development work on a project to be carried out prior to its inclusion in the Capital Investment Plan.

(iv) That the amendments to the Financial Regulations (Regulation B1), to the Regulations on Reserved Areas of Business and the Delegation of Powers of the Council (Regulation A12) and to the Finance Committee's Terms of Reference, as set out in Paper M, be approved.

ANNUAL REPORT OF THE INVESTMENTS COMMITTEE (PAPER N)

40. Introducing Paper N, the Chairman of the Investments Committee, Dr. Knight, said that this had been a very complicated year for investments. The equities markets had collapsed in March and, although they had recovered somewhat since then, they were still volatile. The Committee had therefore agreed to conduct a root and branch review of its own remit and operation. As part of this, it had confirmed its overriding objective, which was to achieve a real return of 3% over time.

41. The second issue considered by the Committee was the measures in place to monitor the performance of the investment managers. The Committee had observed that there was a tendency for the investment managers to stick to the benchmark rather than to seek exceptional performance. In this context, the key investment decision was the choice of benchmark rather than the management of the College’s portfolio. As a result the Committee had agreed to amend the benchmark to include an income focused equity portfolio and a tracker portion. The Committee had also agreed to dispense with the services of Allianz as investment managers.

42. Concluding his Report, Dr. Knight noted the proposed changes to the Committee’s membership. He would be standing down as the Chairman and the Committee had recommended that Mr. Simon Leathes should be appointed to succeed him in this role. The Principal of the Business School, Professor Begg, who had assisted the Committee in its review, would also be invited to attend its meetings on a regular basis.

43. Mr. Gidoomal asked if the Committee was using an accepted industry benchmark as this would provide a way of measuring the investment managers’ performance, not just against the College’s target, but also against the performance of other fund managers. Dr. Knight said that the College did not use an industry benchmark, but had devised it own to ensure that the College’s target of a 3% return was achieved.

44. Mr. Hearn said that he felt the target of a 3% return might be too low, particularly as the Ivy League universities in the US achieved returns of between 4% and 5%. He suggested that the Investments Committee should consider increasing its target to 4.5% and might also consider using a total return approach.
45. Dr. Vaughan asked if the College had an ethical investment policy. Dr. Knight said that the College did not have such a policy, but that a number of the College’s endowments had an ethical dimension that had to be considered when investment decisions were being made. Dr. Vaughan then asked if Mr. Leathes would be appointed to the Council in due course as the new Chairman of the Investments Committee. The Chairman said that this suggestion could be considered as and when a vacancy arose on the Council.

46. Professor Green noted that the College had returned its endowment to the British Heart Foundation (BHF) in the previous year. He was pleased to report that the BHF had recently agreed to provide funding of £150K per annum for a Chair that would shortly be advertised. The BHF was committed to providing this funding on an indexed basis for the tenure of the appointee and, it was hoped, would also provide a grant of £500K to meet the setting up costs for this appointment.

Resolved: That the appointment of Mr. Simon Leathes as Chairman of the Investments Committee, as set out in Paper N, be approved.

CLERK’S BUSINESS

Promoting Race Equality – Governance Code of Practice (Paper O)

47. The Clerk introduced Paper J. He reminded Governors that the College was required under the Race Relations (Amendment) Act 2000 to promote race equality in everything it did. In July the Council had approved an amended Policy on Promoting Race Equality which was supported by five codes of practice. These codes of practice were concerned primarily with implementing the agreed policy and had therefore been approved by the Executive Committee. However, the Governance Code of Practice also concerned members of the Court and Council and was therefore being presented to the Council for approval. If approved, an ethnic monitoring questionnaire would be circulated to members of the Court and Council following this Meeting. Professor Leppington reminded members of the need to support the College’s efforts in promoting equality and diversity and urged all members to complete and return the ethnic monitoring forms when they were circulated.

48. The President of the Imperial College Union, Mr. Arif, said that appointments to College committees should be made on merit alone and that the ethnicity of appointees should therefore be irrelevant. The Clerk agreed that appointments were made on the basis of merit and the ability of the candidate to contribute effectively to the work of the Committee. However, he said, consideration of diversity issues was relevant to the work of the College’s committees and the provision of adequate representation had therefore to be a factor considered by the College when making appointments.

49. The Director of Human Resources, Mr. Gosling, said that these proposals were not intended to introduce an element of positive discrimination, but rather were designed to ensure that the College did not unconsciously discriminate against ethnic minority staff and students. Professor Leppington concurred, saying that the College could be missing valuable opportunities if its decision-making structures did not properly represent the ethnic diversity of the College, although he agreed with Mr. Arif that the primary consideration when making appointments had to be the qualities and expertise that individuals could bring to the work of the committees concerned.

50. Mr. Gidoomal said that the College had a statutory responsibility to do all that was necessary to promote race equality and that it would be a positive benefit to the College to ensure that it was appointing members of committees from the widest possible pool of talented staff. However, he agreed with Mr. Arif’s concern that the current wording of the Code of Practice could suggest that the College would be appointing people on the
basis of their ethnicity alone. The Chairman suggested that Professor Leppington, as the Chairman of the College’s Equal Opportunities and Diversity Committee, should review the wording of the Code of Practice in the light of the Council’s comments to ensure that it better reflected the College’s aims.

51. Mr. Roche noted that the College was committed to exhibiting best practice in all aspects of corporate governance and asked how the College ensured that it could identify best practice. Mr. Gosling said that the College worked with external bodies, such as the Equality Challenge Unit, that sought to identify best practice across the Sector. The College had also appointed a full-time Diversity Officer to focus on these issues.

ANY OTHER BUSINESS

Athena Prize

52. Professor Dame Julia Higgins reminded the Council that the Rector’s Academic Opportunities Committee promoted opportunities for female academics and that its efforts had been nationally recognised with the award of a prize from the Athena Project. The Committee had decided to use this prize to commission a painting to celebrate women in science. The painting would be hung in the Senior Common Room and she suggested that the unveiling be timed to coincide either with the Diversity Briefing on 27th January or the next Council Meeting on 13th February so that Governors could attend. The Chairman agreed and asked for details to be circulated to Governors once the date was agreed.
PAPER A

STAFF MATTERS

A Note By the Rector

RETITLING OF CENTRAL BIOMEDICAL SERVICES

The Executive Committee has agreed that Central Biomedical Services, in the Faculty of Medicine, should be retitled as the Department of Comparative Biomedicine.

DIRECTOR OF DEVELOPMENT

Ms Fiona Kirk, formerly Director of Development at English Heritage, has been appointed to the post of Director of Development within the Office of Alumni and Development with effect from 27 October 2003.

PROFESSORS

Professor Claudio Albanese, currently Associate Professor, Mathematics Department at the University of Toronto and also Visiting Professor at Singapore National University, Oxford University and IMPA Rio de Janeiro, has been appointed to the Chair in Mathematical Finance in the Department of Mathematics, Faculty of Physical Sciences with effect from 1 April 2004.

Professor Donna Gail Blackmond, currently Professor of Physical Chemistry at the University of Hull, has been appointed to the Chair in Catalysis held jointly between the Department of Chemistry, Faculty of Physical Sciences and the Department of Chemical Engineering, Faculty of Engineering, with effect from 1 January 2004.

Professor Andrew Wyndham Evans, currently Professor of Transport Safety at University College London, has been appointed to the Lloyds Register Chair in Transport Risk Management in the Department of Civil and Environmental Engineering, Faculty of Engineering, with effect from 1 January 2004.

Professor Stefan Wolfgang Grimm, currently Professor at the Max-Planck Institute for Biochemistry in Germany, has been appointed to the Chair in Toxicology in the Division of Medicine, Faculty of Medicine, with effect from 1 February 2004.

Professor Yanghua Wang, currently Head of R&D at Robertson Research International in Kent, Professor at the School of Postgraduate Studies, Chinese Academy of Sciences and Research Professor at the Institute of Geotectonics and Guangzhou Institute of Geochemistry, Chinese Academy of Sciences, has been appointed to the Chair in Reservoir Geophysics and Director of the Centre in Reservoir Geophysics in the Department of Earth Science and Engineering, Faculty of Engineering, with effect from 1 January 2004.
READERS

Dr Sergey Vladimirovich Lebedev, previously Senior Research Officer in the Department of Physics, Faculty of Physical Sciences, has been appointed as Reader in Z-Pinch Physics in the same Department with effect from 27 October 2003.

Dr Clare Margaret Lloyd, previously Wellcome Senior Research Fellow in Leukocyte Biology, has been appointed as Reader in Leukocyte Biology (non-clinical) in the Division of Biomedical Sciences, Faculty of Medicine, with effect from 1 October 2003.

Dr Michael Peter Helmut Stumpf, previously Senior Research Fellow in the Department of Biology at University College London, has been appointed as Reader in Biological Sciences in the Department of Biological Sciences, Faculty of Life Sciences, with effect from 1 October 2003.

SENIOR RESEARCH INVESTIGATORS

The following have accepted appointment as Senior Research Investigators following retirement:

Dr Raad Issa, formerly Reader in Thermofluid Dynamics in the Department of Mechanical Engineering, Faculty of Engineering, has accepted an appointment as Senior Research Investigator in the same Department with effect from 1 November 2003 for a period of two years.

Dr Michael Lee, formerly Principal Research Fellow in the Department of Electrical and Electronic Engineering, Faculty of Engineering, has accepted an appointment as Senior Research Investigator in the same Department with effect from 1 October 2003 for a period of three years.

Dr Oliver Pretzel, formerly Senior Lecturer in the Department of Mathematics, Faculty of Physical Sciences, has accepted appointment as Senior Research Investigator in the same Department with effect from 1 October 2003 for a period of three years.

Professor George Webster, formerly Professor of Engineering Materials in the Department of Mechanical Engineering, Faculty of Engineering, has accepted appointment as Senior Research Investigator in the same Department with effect from 1 October 2003 for a period of two years.

Dr Robin Welcomme, formerly Principal Research Fellow in the Department of Environmental Science and Technology, Faculty of Life Sciences, has accepted appointment as Senior Research Investigator with effect from 1 October 2003 for a period of four years.

Emeritus Professor J. Gordon Williams FRS FREng, formerly Professor of Materials Chemistry and Head of the Department of Mechanical Engineering, Faculty of Engineering, has accepted appointment as Senior Research Investigator in the same Department with effect from 1 October 2003 for a period of two years.
VISITING PROFESSORS

The following have accepted association as Visiting Professors:

**Professor Mark Dodgson**, Director and Professor at the Technology and Innovation Centre, University of Queensland, Australia, has accepted association as Visiting Professor in the Business School with effect from 1 November 2003 for a period of three years.

**Mr Thomas Hoehn**, Partner, Corporate Finance and Recovery and Head of Economics and Strategy Analysis at PricewaterhouseCoopers, has accepted association as Visiting Professor in the Business School with effect from 6 October 2003 for a period of three years.

**Dr Xudong Jing**, Principal Reservoir Engineer with Shell, Netherlands, has accepted association as Visiting Professor in the Department of Earth Science and Engineering, Faculty of Engineering, with effect from 1 November 2003 for a period of three years.

**Dr Alan Jones**, formerly Adviser to the Director, Institute for the Protection and Security of the Citizen, at the European Commission Joint Research Centre, Ispra, Italy, has accepted association as Visiting Professor in the Department of Earth Science and Engineering, Faculty of Engineering with effect from 1 October 2003 for a period of three years.

**Dr Michael Orszag**, Head of Research at Watson Wyatt LLP and Founding Co-Editor of the Journal of Pension Economics and Finance, has accepted association as Visiting Professor in the Business School with effect from 1 November 2003 for a period of three years.
PAPER B

A COLLEGE BURSARY SCHEME

A Note by the Rector

1. The much delayed and highly controversial Higher Education Bill introducing variable ‘top-up’ fees is expected (at time of writing) to be published in the week beginning 5 January 2004. Second reading would be before the end of January. Members of Council will be familiar with the likely contents of the Bill. This College has for some time been an advocate for more realistic tuition fees which would go some way toward closing the gap between the cost of our courses and the income we receive for them.

2. The Council, at its meeting on 18 October 2002, resolved to introduce higher fees for home/ EU undergraduates, should the restriction on the level of fees for this group of students be removed, on the understanding that public subsidy to the College continued at its current level, other comparable universities charged higher fees, a single rate were introduced for all subjects and, before implementation, an investigation of the level of fee and effect on potential students was made.

3. Since then, much has been debated, the secretary of state and minister for higher education have been replaced, the White Paper published and the Prime Minister re-affirmed his personal commitment to the government’s proposals. The level of interest in universities in the media, parliament and government has been unprecedented.

4. The White Paper proposals on tuition fees are, of course, for a variable rate capped at £3,000 per annum. Fees would not be payable by individuals until a graduate was earning in excess of £K15 pa and then would be a fixed percentage of income (9%) until the debt was repaid. Interest would be at a zero real rate. An Office for Fair Access (OFFA) would act as a regulator ensuring that universities were not permitted to charge a premium fee (up to the £K3) without first having in place access and bursary provision to assist those from less advantaged backgrounds. OFFA would not be concerned with admission decisions.

5. Universities will be expected to provide support to students from poorer backgrounds from a proportion of their additional income. A figure of 30% has been mentioned, though, at the time of writing, no proposal has been officially made. Some universities see this as an infringement of their autonomy.

6. Cambridge has announced a scheme that would provide up to £4,000 per annum to some students which, together with the government’s new grant of £1,000 to students from the poorest backgrounds and remission of the first £1,125 of their fees, would enable them to study in Cambridge incurring only minimal debt. The scheme is ramped so that some support is provide to students from families who earn up to about £35,000 p.a. Cambridge will effectively take 32% of the expected additional revenue from a £3,000 fee, together with existing support of £M1.5 pa from other sources, to fund their scheme.

7. The College should consider an equivalent scheme. Not only would such a scheme be beneficial in its own right, it would also reduce the political pressure for government to determine through legislation or regulation how some of the additional income from fees should be spent. If we followed the Cambridge model, we would have some £M3.6 available
from the additional fee income to fund bursaries.

8. At this stage, we have not yet modelled how this sum (plus the very limited support we already provide) might be configured into bursaries for different amounts for students from different financial backgrounds. We will try and agree with the other leading institutions not to out-bid each other in bursaries, though the additional cost of living in London will probably need to be recognised. Of course, taking £M3.6 out of the expected additional £M11.4 income would leave less available to reduce the deficit on teaching, which would remain at about £2,000 per home/EU undergraduate per year.

9. The Council is asked to consider, and if it sees fit, approve the development of a bursary model along these lines (contingent on the expected content of the Higher Education Bill being enacted) and, after approval from the Management Board, to announce a scheme at an appropriate time during the passage of the Bill.

RBS
4 December 2003
PAPER C

THE FELLOWSHIPS COMMITTEE – REPORT AND RECOMMENDATIONS

A Note by the Rector

1. The Fellowships Committee met on 24th October 2003 to consider, in the light of Regulation A9 (attached at Annex A), nominations for the conferment of the Fellowship and Associateship of the College, and for the awarding of honorary degrees of the University of London.

FELLOWSHIPS

2. The Committee agreed to make the following six recommendations to Council for the conferment of Fellowships:

1. **Professor Bertil Andersson BSc, MSc, PhD, DSc.**

   Rector (President) of Linkoping University, Sweden, since 1999. Visiting Professor, Imperial College since 1990: Departments of Biochemistry, and Biological Sciences. Former Chairman of the Nobel Prize Committee for Chemistry, currently member of the Nobel Foundation Board.

   **Educated**

   Umeå University, BSc, MSc. Lund University, PhD, DSc.

   **Citation:**

   The Committee recommends the conferment of Fellowship on Professor Andersson in recognition of his major contribution to plant biochemistry, and his innovation in encouraging the exchange of students and staff with Stockholm University.

2. **Professor Sir Alec Broers Kt, DL, PhD, ScD, FRS, FREng, FIEE, FinstP.**


   **Educated**:

   Melbourne University, BSc
   University of Cambridge, BA, PhD, ScD
Citation:

The Committee recommends the conferment of Fellowship on Sir Alec Broers in recognition of his major contribution to the fabrication of microelectronic components, and development of high-resolution scanning electron microscopes, high brightness electron guns, and high resolution methods for fabricating nanometer-size devices.

3. **Professor John Burland BSc, MSc, PhD, DSc, FREng, FRS, FICE, FIStuctE, FGS, FCGI.**

Emeritus Professor of Soil Mechanics and Senior Research Investigator, Department of Civil and Environmental Engineering, Imperial College. Vice-President of the Institution of Civil Engineers.

Educated:

University of Witwatersrand, BSc, MSc, DSc.
University of Cambridge, PhD.

Citation:

The Committee recommends the conferment of Fellowship on Professor Burland in recognition of his international achievements and prominence in the field of Civil Engineering in Industry, the Profession and Academe.

4. **Professor Sir Alan Fersht MA, PhD, FRS**

Herchel Smith Professor of Organic Chemistry, and Fellow, Gonville and Caius College, University of Cambridge. Hon. Director, Cambridge Centre for Protein Engineering. Co-founder of biotechnology companies: Cambridge Antibody Technology; Cambridge Combinatorial; Avidis.

Formerly Professor of Biological Chemistry, Imperial College, 1978-1988.

Educated:

University of Cambridge, MA, PhD

Citation:

The Committee recommends the conferment of Fellowship on Professor Fersht in recognition of his being one of the world’s leading biotechnology scientists, regarded as one of the founding fathers of protein engineering - much of the underpinning research having been conducted whilst at Imperial College - and for his pioneering work on protein folding.

5. **Professor Keith Miller ScD, PhD, MA, BSc, FREng, FIMechE, FIM, FCGI,**
FIEE, FIMfgE, FRGS

President of the Structural Integrity Research Institute.  
Former Dean of the Faculty of Engineering, University of Sheffield.  
Lecturer in Engineering, and Fellow of Trinity College, University of Cambridge.

Educated:

Imperial College, BSc  
Queen Mary College London, PhD  
University of Cambridge MA, ScD.

Citation:

The Committee recommends the conferment of Fellowship on Professor Miller in recognition of his international achievements and reputation in connection with the mechanisms of fatigue failure in metals, and additionally the responsible empowerment of young people especially through his activities in the field of international scientific exploration and mountaineering.

6. Professor Robert Williamson FRCP, FRCPath, FRS

Director, Murdoch Childrens Research Institute, Melbourne  
Formerly Professor of Biochemistry and Molecular Biology, Imperial College.

Educated:

University College London, BSc, MSc, PhD

Citation:

The Committee recommends the conferment of Fellowship on Professor Williamson in recognition of his contribution to the field of molecular medicine, predominantly in the subjects of haemoglobinopathy and cystic fibrosis, and his commitment to studies in education and ethics as applied to human genetics.

HONORARY DEGREES

3. The University Council has previously approved the Ordinance, together with the associated procedural arrangements, under which Colleges are empowered to confer honorary degrees of the University of London. The University has determined that the College may confer up to five honorary degrees each year, and on this occasion the Fellowships Committee has two recommendations for the conferment of honorary degrees during 2004. College proposals are subject to prior approval by the University Honorary Degrees Committee, which has been granted by the Vice-Chancellor under delegated powers.

4. The Committee therefore makes the following two recommendations to Council for the award of Honorary Degrees:
1. **Professor Murray Brennan  BSc, MB, Ch.B, MD, Ch.M**

Alfred P. Sloan Professor of Surgery and Chairman, Department of Surgery at the Memorial Sloan-Kettering Cancer Centre, New York

**Educated:**

University of Auckland/ University of New Zealand, BSc.
University of Otago MB, ChB, MD, ChM.

**Citation:**

The Committee recommends the conferment of an Honorary Degree of Doctor of Science on Professor Brennan in recognition of his outstanding international contribution to academic surgery, being the leading cancer surgical specialist in the United States, coupled with his major contribution to the field of soft tissue sarcoma and hepatobiliary surgery.

2. **Sir Peter Lampl CH, OBE, BA, MA, MBA**

Founder and Chairman, The Sutton Trust.

**Educated:**

University of Oxford, BA, MA
London Business School, MBA

**Citation:**

The Committee recommends the conferment of an Honorary Degree of Doctor of Science on Sir Peter Lampl in recognition of his use of his entrepreneurial and business skills in raising the level of debate over equality of opportunity for bright young people to gain entry to higher education.

**ASSOCIATESHIP**

5. The Committee makes no recommendations to Council for the conferment of Associateship during 2004.

R.B.S.
IMPERIAL COLLEGE LONDON
REGULATION A9

PROCEDURES FOR THE AWARD OF FELLOWSHIPS, HONORARY DEGREES AND ASSOCIATESHIPS

This Regulation is made by the Council of the College pursuant to Statute 12

1. Fellowships and Honorary Degrees

(1) Fellowships of the Imperial College or Honorary Degrees may be awarded:

(a) to members or former members of the governing body, to former members of staff or to former students of the Imperial College of Science, Technology and Medicine, who may be deemed eligible by reason of their outstanding achievements or of exceptional services rendered to the College;

(b) to other persons not members of the College who are of outstanding distinction in appropriate fields and whom the College wishes to honour.

(2) In the criteria for Fellowship or an Honorary Degree:

(a) “achievement” should mean truly outstanding and “services” to the College truly exceptional;

(b) former staff (who are not former students) should be selected mainly from those who have retired as Professors of eminence in their fields and especially those who have rendered special service to the College as Deans, Heads of Departments, etc.

(c) a person who on his or her retirement was a member of the staff of the College should not be considered for election to Fellowship or an Honorary Degree until one calendar year has elapsed since their retirement or since their appointment as Senior Research Fellow of the College.

2. Associateships

Associateships of the Imperial College of Science, Technology and Medicine may be awarded:

To such persons who have been members of the staff for a substantial period or who have retired from membership of the staff in any grade or category, to such former students or to such other persons not members of the College, as may be deemed eligible by reason of their having rendered exceptional service to the College or having otherwise done something outstanding to enhance the reputation of the College.
PAPER D

ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2003

A Note by the Director of Finance

1. A copy of the Financial Statements of the College and its subsidiary companies for the year ended 31 July 2003 is enclosed with these Papers.\(^{(1)}\) The financial highlights are summarised in the Honorary Treasurer’s Report on pages 2 and 3.

2. The Financial Statements have been considered by the Finance Committee and the Audit Committee and both have recommended that they should be approved by the Council. The Audit Committee will make its own report to the Council in accordance with the Audit Code of Practice issued by the Higher Education Funding Council for England.

3. The Council is invited to consider and, if it sees fit, approve the Financial Statements for the year ended 31 July 2003.

A.S.D.C.

\(^{(1)}\) Not included with these Minutes
1. The Management Letter to the Members of the Council from the external auditors, PricewaterhouseCoopers, is attached.

A.S.D.C.
Imperial College London
Year ended 31 July 2003
Management Letter to the Members of the Council

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<td>Accounting and Audit Issues for the College</td>
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Imperial College London  
Year ended 31 July 2003  
Management Letter to the Members of the Council

1. Introduction

We have pleasure in presenting our management letter on the results of our external audit of the College’s 2002/2003 financial statements.

1.1 Purpose of this report

As auditors, we are required under the HEFCE Audit Code of Practice ("the Code") to present a management letter to the Council setting out the results of our audit. It is the Council’s responsibility to consider the issues raised in this management letter before approving the financial statements. The Council is also required under the Code to submit this report to the HEFCE Audit Service before 28 February in the year following the period end. We presented this report to the Audit Committee on 25 November 2003.

1.2 Scope of our service

The principal objective of our audit procedures is to enable us to express our opinion, in line with the requirements of the Code, on the financial statements as a whole. Our audit opinion does not guarantee that the financial statements are free of misstatement. We explain our audit responsibilities, and their limitations, in our letter of engagement dated 2 May 2003. The scope of our service including our audit approach is set out in Annex B to this report. We also consider it an important part of our audit service to share our experiences of good management practice in those areas that we need to consider for our audit. Our objective is to help the Council and senior management, over and above our statutory duties. In seeking to achieve a cost-effective audit we take account of management’s overall approach to controls in the business, and particularly the main information systems used by senior management for decision making. In our experience these are key to effective control. Naturally, our emphasis is on financial information.

1.3 Reporting to those charged with Governance - SAS 610 requirements

SAS 610 ‘Communication of audit matters to those charged with corporate governance’ was issued in June 2001 and introduces additional reporting requirements for auditors. The standard became effective for the first time for the 2003 year end, although it was considered best practice in 2002 and therefore implemented during last years audit.

As a result, we are now required to communicate to the Audit Committee any unadjusted misstatements other than those believed to be clearly trifling and seek written representation as to why they have not been adjusted. We are pleased to note that there were no unadjusted misstatements from the audit process, with all issue identified being agreed and adjusted by the College’s finance staff.

Below we have set out those matters which must be communicated by the auditors to those charged with governance and the steps taken in order to address them.
Management Letter to the Members of the Council

<table>
<thead>
<tr>
<th>SAS 610 Requirement</th>
<th>PwC response</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication of audit planning</td>
<td>Discussed with the College during planning meetings held through the year and presented to the Audit Committee in June 2003.</td>
</tr>
<tr>
<td>Communication of audit findings</td>
<td>Reported in our Audit Committee Report following the year end visit in November</td>
</tr>
<tr>
<td>Confirmation of the independence of both the Firm and the audit team</td>
<td>Confirmed in section 1.4 below</td>
</tr>
<tr>
<td>Schedule of unadjusted mis-statements</td>
<td>All proposed adjustments have been made by the College, therefore no items remain outstanding.</td>
</tr>
<tr>
<td>Material weaknesses in the accounting and internal control system</td>
<td>No material weaknesses were found, audit findings have been documented at section 3 below.</td>
</tr>
</tbody>
</table>

1.4 Audit Quality – SAS 240

SAS 240 ‘Quality control for audit work’ was published in September 2000 and introduced a number of requirements in respect of auditor independence, including the specific requirement for auditors to be independent. We can confirm that all members of the Imperial College of Science, Technology and Medicine client audit team from PwC LLP are independent from the College under these standards. As part of the group consolidation, we have received independence confirmations from Smith & Hutchinson, the external auditors of IC Consultants Ltd. and Private Patient Healthcare, from Deloitte and Touche for Natural Resources International, and Baker Tilley for the Students Union.

We have three further areas to report to the Audit Committee (in addition to those reported to you within the Audit Plan) where PwC have been appointed to perform work for the College, that are separate to our audit responsibilities. We have considered the safeguards that we as auditors have in place with regards to this work and can confirm that we do not believe any of these matters threaten our independence and objectivity, but have raised these to the Committee in order to keep you fully informed and to comply with the requirements of the auditing standard.

1.5 PwC conversion to LLP status

With effect from 1 January 2003 PwC converted to a Limited Liability Partnership (LLP).

Since the LLP is a separate legal entity from the existing firm it was necessary to transfer our existing engagement contract to the new firm. All novation letters have been signed and submitted to the relevant bodies by the College, and the Audit Committee has approved the new engagement letter for this years audit. The financial statements will be duly signed by the new firm, PwC LLP.

1.6 Updated audit opinion

PwC has amended its audit opinion to clarify the extent of the firm’s duty of care as a result of the Royal Bank of Scotland vs Bannerman case. This change is in response to the recent Scottish
Imperial College London
Year ended 31 July 2003
Management Letter to the Members of the Council

judgment of Royal Bank of Scotland vs Bannerman where it was decided the auditors could owe a
duty of care in respect of their statutory audit opinion to their client’s lending bank based on
knowledge deemed to have been acquired as part of the audit process. The court held that if the
auditors had disclaimed the liability to the bank concerned then there would have been no duty of
care.

After extensive consultation, PwC has decided that the only way to clearly clarify to whom we
accept responsibility, and that we do not accept responsibility to any other person save where
expressly agreed in writing, is to amend the audit opinion itself. This change conforms with the
professional guidance on this matter issued by the Institute of Chartered Accountants in England
and Wales.

The Higher Education Funding Council for England (HEFCE) have been consulted on this change.

2. Financial Review
Consolidated Income and Expenditure Account

<table>
<thead>
<tr>
<th></th>
<th>2002/2003 £’000</th>
<th>2001/2002 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td>Income</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Funding council grants</td>
<td>116,872</td>
<td>112,966</td>
</tr>
<tr>
<td>Academic fees and support grants</td>
<td>49,826</td>
<td>44,185</td>
</tr>
<tr>
<td>Research grants and contracts</td>
<td>167,157</td>
<td>152,984</td>
</tr>
<tr>
<td>Other operating income</td>
<td>72,890</td>
<td>67,473</td>
</tr>
<tr>
<td>Endowment income and interest receivable</td>
<td>2,527</td>
<td>3,440</td>
</tr>
<tr>
<td>Share of associates’ operating results</td>
<td>32</td>
<td>182</td>
</tr>
<tr>
<td></td>
<td><strong>409,304</strong></td>
<td><strong>381,230</strong></td>
</tr>
<tr>
<td>Expenditure</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staff costs</td>
<td>235,806</td>
<td>220,671</td>
</tr>
<tr>
<td>Depreciation</td>
<td>20,460</td>
<td>17,854</td>
</tr>
<tr>
<td>Other operating expenses</td>
<td>149,119</td>
<td>140,723</td>
</tr>
<tr>
<td>Interest payable</td>
<td>1,064</td>
<td>771</td>
</tr>
<tr>
<td></td>
<td><strong>406,449</strong></td>
<td><strong>380,019</strong></td>
</tr>
<tr>
<td>Surplus/(deficit) from operating activities</td>
<td>2,855</td>
<td>1,211</td>
</tr>
<tr>
<td>Exceptional income from sale of fixed assets</td>
<td>-</td>
<td>9,732</td>
</tr>
<tr>
<td>Surplus before tax and minority interest</td>
<td><strong>2,855</strong></td>
<td><strong>10,943</strong></td>
</tr>
<tr>
<td>Taxation</td>
<td>(1)</td>
<td>-</td>
</tr>
<tr>
<td>Minority interest</td>
<td>19</td>
<td>-</td>
</tr>
<tr>
<td>Surplus after tax and minority interest</td>
<td><strong>2,873</strong></td>
<td><strong>10,943</strong></td>
</tr>
</tbody>
</table>

Imperial College London
2.1 Financial Outturn

In the year to 31 July 2003 a surplus has been made equating to 0.7% of income, compared with 3.2% in 2001/2002. The final surplus was slightly lower than the latest forecast in the finance management report, due to final adjustments incorporated into the financial statements on production.

2.2 Academic Fees

Academic Fees have increased by 12.8%. The number of full-time home and European Union students increased by 0.06% (8,060 full time equivalents compared to 8,055 in 2002). However, total income from these students has risen by 7.5% (£1,036k), due to an increase in tuition fee rates. Overseas student numbers have increased by 10% (2,276 in 2003 compared to 2,070 in prior year), and this has led to an 11% (£2,596k) increase in overseas fee income.

2.3 Research Grants and Contracts

A review of research categories with increases of more than 10% year on year was undertaken. This included UK Industry, Commerce and Publications, UK Charities and UK Other, and accounted for £9.9m of the total increase in research income. A detailed breakdown of individual research contracts within these categories was analysed, the principal movements being explained by the following:

- New contracts £2,394k
- Increased expenditure (e.g. equipment purchases) £1,569k
- Extended contracts £106k

The remaining movement is accounted for by the cumulative total of small movements of less than £100k on individual contracts.

2.4 Interest Payable

The increase in interest payable is accounted for by the non-capitalised interest relating to the £50m loan drawn down during 2002/03.
### Consolidated Balance Sheet

<table>
<thead>
<tr>
<th></th>
<th>31 July 2003 £’000</th>
<th>31 July 2002 £’000</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Tangible fixed assets</td>
<td>373,883</td>
<td>319,827</td>
</tr>
<tr>
<td>Endowment Asset Investments</td>
<td>6,409</td>
<td>6,431</td>
</tr>
<tr>
<td></td>
<td>380,292</td>
<td>326,258</td>
</tr>
<tr>
<td><strong>Endowment Asset Investments</strong></td>
<td>38,242</td>
<td>40,270</td>
</tr>
<tr>
<td><strong>Current Assets</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Stocks</td>
<td>395</td>
<td>405</td>
</tr>
<tr>
<td>Debtors</td>
<td>107,940</td>
<td>105,428</td>
</tr>
<tr>
<td>Short term deposits</td>
<td>22,231</td>
<td>2,827</td>
</tr>
<tr>
<td>Cash at bank and in hand</td>
<td>7,745</td>
<td>4,619</td>
</tr>
<tr>
<td></td>
<td>138,311</td>
<td>113,279</td>
</tr>
<tr>
<td>Creditors: amounts falling due within one year</td>
<td>(112,294)</td>
<td>(107,652)</td>
</tr>
<tr>
<td><strong>Net Current Assets</strong></td>
<td>26,017</td>
<td>5,627</td>
</tr>
<tr>
<td><strong>Total Assets Less Current Liabilities</strong></td>
<td>444,551</td>
<td>372,155</td>
</tr>
<tr>
<td>Creditors: amounts falling due after more than one year</td>
<td>(53,000)</td>
<td>(3,660)</td>
</tr>
<tr>
<td>Provisions</td>
<td>(1,716)</td>
<td>(1,532)</td>
</tr>
<tr>
<td><strong>Total Net Assets</strong></td>
<td>389,835</td>
<td>366,963</td>
</tr>
</tbody>
</table>

Represented by:
- Deferred Capital Grants 233,495 210,934
- Endowments
  - Specific 36,214 38,303
  - General 2,028 1,967
- Reserves
  - Revaluation Reserve 2,525 3,072
  - Income and expenditure account 115,512 112,475
- **Total College Funds** 389,774 366,751
- Minority interest 61 212
- **Total Funds** 389,835 366,963

- Increase is due to £74,778k of additions, including £52,144k for assets under construction. This includes the Tanaka Management School (£14,656k) and St. Mary’s Research Building (£8,992k), plus work on the new faculty building.
- The increase in short term deposits and cash is linked to the £50m loan which was drawn down during the year. £22.3m is being held as 2 day maturity investments, and £7.8m as 24 hour maturity investments.
- The increase in creditors due after more than one year is due to a £50m loan which was drawn down during the year to finance capital projects including the Tanaka Management Building and the Faculty Building.
2.6 **Net Current assets/liabilities**

The College’s net current assets for 2002/03 were £26,017k. The increase on the prior year is due to the £50m loan drawdown in March 2003, which impacted upon both short term deposit balances and cash balances, as well as creditors due after more than one year.

2.7 **Endowment Investments**

Endowment assets have decreased during the year. This is mainly due to £3,054k being returned to the donor or reclassified as donations. £2,038k is a reclassification from an endowment to an interest bearing donation from the Hans Rausing Fund, whilst a further £724k is related to a repayment of an endowment to the British Heart Foundation, who have agreed to fund two Chairs in Cardiac Medicine and Cardiac Surgery directly, rather than through the investment income of the endowment fund.

2.8 **Reserves**

The College is carrying forward reserves of £118,037k compared to those brought forward at the beginning of the year of £115,547k.

The College holds a number of specific reserves as well as a general reserve. The most significant of the specific reserves are those in relation to capital that are held to match future depreciation charges on certain categories of assets (mainly non-residential assets). It should be noted that these specific capital reserves are discretionary in nature.

The general reserve has reduced significantly since the prior year to £5,948k (2001/02 £30,639k), principally as a result of extensive capital work at the College. Whilst both the general and specific reserves are included within the overall income and expenditure reserve on the balance sheet, the notes to the accounts separately identify these balances. Given financial spending at the College we note that the general reserve will go into deficit in 2003/04. This does not cause any operational issues for the College, but presentationally the College will need to consider how this is disclosed in the financial statements and viewed by other external parties.

The three non-discretionary reserves relate to funds that the College is legally bound to hold separate within its accounts. These consist of the Subsidiary and Associated companies’ reserves, the Students’ Union funds and the Harlington student fund.

2.9 **Financial outlook for the University**

The most significant financial pressure faced by the College will be to maintain an annual surplus on recurring funds.
Imperial College London
Year ended 31 July 2003
Management Letter to the Members of the Council

In addition the College has a significant capital programme planned for the next few years, which will put increasing pressure on the College’s financial resources. The most significant area relates to the capital project for the Tanaka Business School. The College is expecting a donation of £27m in respect of this project. The expected income less money already received has, prudently, not been recognised within the financial statements.

The College is taking active steps to manage the long term cash implications of this capital programme. During the year, the College has raised a £50m loan and arranged a further £23m loan facility to fund the capital programme, including the Tanaka Business School and the Faculty Building.

The College also faces future financial pressures as a result of the increasing pensions deficits and funding requirements on its defined benefit schemes. They need to review closely the pensions position of their four schemes and assess the likelihood/potential for increased contributions over future years should any of these schemes report additional deficits within the funds. This will be particularly important to consider as the future implementation of FRS 17 will result in the College having to disclose its shares of the schemes underlying surpluses / deficits on its balance sheet. The implementation of FRS 17 is being considered widely within the higher education sector currently and therefore further guidance will be released in this area prior to full implementation. We have commented further on the College’s pension schemes in section 3.2.2.
3. Accounting and audit issues for the College

3.1 Significant Accounting and Auditing Issues

As part of our audit work, we identified some areas, which required further investigation. We report these to you below and the subsequent manner in which these have been resolved.

We have set out below a summary of accounting and auditing issues identified during the audit and their resolution.

We have been pleased to note that the College has taken significant steps during 2002/03 to address concerns and recommendations raised during previous audits. Significant audit issues raised in 2001/02 have been re-examined during the year and we have noted particular improvements in the following areas:

- Monthly reconciliations, including bank, payroll and pension reconciliations; and
- Aged debt collection, and subsequent compilation of the bad debt provision.

Whilst the College has addressed the major areas satisfactorily, allowing us to issue an unqualified audit opinion on the financial statements, there are a number of other issues that have been considered in finalising the financial statements or will need to be addressed by the College in the forthcoming year.

3.2 Endowment Fund monitoring

Whilst controls have been improved in this area, a number of issues still remain:

- Endowment fund supporting papers (e.g. original endowment and objects of the fund) could not be located in all cases. A central filing system is not held for the endowment funds administered within the College, with some held by finance and others by departments;

- Quarterly reports detailing the financial position of each Endowment Fund have not been issued in a timely manner to administrators. The fund reports for Quarter 4 (ended 31 July 2003) were produced in October and dispatched to fund administrators. Given that the relevant information is received from investment managers within 2 weeks of quarter end, improvements could be made to the speed with which fund reports are made available;

- There were 81 endowment funds with a total value of £4m which are classed as dormant, with no activity in the previous two years. This may mean the funds are not being used effectively;

- There are 5 funds that had no known administrator, although this is an improvement on the previous year; and
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- Capital spend - At the year end a number of funds had utilised capital amounts from the original endowment to fund the year’s expenditure. As with all charitable endowments this requires the consent of the original donor (unless stated in the original donation). We have been unable to obtain evidence that this approval has been sought and received in all cases.

We recommend the following:

The College should review individual funds’ terms of original donation and ensure that they are authorised to spend the capital endowment part of the fund. Where authorisation has not been obtained the original donor should be contacted to confirm that the College is allowed to spend these funds;

All endowment fund administrators should be identified;

The College should continue to take action to resolve all dormant funds. When the original purpose of a fund is no longer appropriate, the original donor should be contacted to seek consent to alter the purpose of the fund. Where the donor cannot be located, the College should contact the Charities Commission to request that the funds be reclassified as general funds, so that activity can begin again with expenditure from the fund on general items;

The College should improve the efficiency of the preparation and distribution of quarterly reports to administrators. Improving the timeliness of reports would enhance the decision making of fund administrators; and

All supporting documentation for endowments should be maintained centrally. A review of the objectives of each fund should be completed to ensure that all funds are operating within specified objects.

3.3 Fully depreciated equipment assets

The total cost of fully depreciated assets on the equipment fixed asset register at the year end was £18.4m. However, this has no net effect on the fixed asset note because the accumulated depreciation to date has the effect of netting-off the closing purchase cost to a nil carrying value. The College has taken steps to ensure that all assets appearing on the equipment register are still in use by the respective departments, by circularizing asset confirmation returns to all departments.

We recommend the following:

Given that it has been determined, through the equipment asset circularisation to departments, that all fully depreciated equipment assets appearing on the fixed asset equipment register are still in use, a review of fully depreciated assets on the fixed asset register should be undertaken, to assess whether the asset lives should be reviewed to reflect the fact that assets are potentially being used for longer periods within the College than the accounting asset lives suggest.
3.4 Estates Accruals

Through discussion with the Estates team and through substantive testing of Estates capital accruals, it was revealed that accruals for capital items are only raised for individual items above £100,000. Whilst for capital accruals, the effect of raising a capital accrual would be neutral to the income and expenditure account, both fixed assets and accruals would be understated.

We recommend the following:

A full review of capital accruals post year-end should be conducted to ensure that both the fixed asset and creditors balance are complete and properly presented.

It should be noted that the above issue was raised during the course of the audit with the central finance team at the College. Subsequently, a review of expenditure below £100,000, relating to Estates was conducted post year-end to determine whether any accruals should be raised. Accordingly, estates expenditure relating to the financial year 2002/03 was accrued for and the necessary adjustments made to the financial statements. During this review it was also noted that some expenditure of a revenue nature was being coded to general ledger ‘c’ codes and was therefore not accrued for at the year end.

A full review of ‘c’ code accruals post year end should be conducted to ensure that both creditors/accruals and the income and expenditure account balance are complete.

3.5 Short course income

There is no central monitoring to ensure that departments follow the correct procedures with regards to running a short course. It is therefore possible that an incorrect code can be established and income classified incorrectly within the financial statements to departmental miscellaneous income.

The Director of Continuing Professional Development is not provided with accurate information concerning student numbers on some departmental courses. This means that student statistics included within HESA returns may be inaccurate given that the returning officer is not provided with information concerning student numbers on some of the departmental courses. To assess this risk further, every department running short courses would need to be contacted to determine the correct numbers. As it is not always known which person runs each individual short course this process may not be easy to conduct.

We recommend the following:

There should be a review of short courses run by the College. All short courses should be identified and the implementation of financial procedure guidelines circulated by Central Finance to departments should be monitored to ensure that they use the correct ledger codes;

Central monitoring of short course fee income and student numbers should be instigated; the Continuing Professional Development department appears to be well placed to perform this function. This will help to ensure that the year end balance can be substantiated and that HESA returns are accurate.
Imperial College London
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3.6 PFI schemes – Paddington Basin
As part of the Paddington basin health campus project the College needs to consider the accounting for the asset that is due to be received as part of the PFI deal, considering in particular the principles for PFI schemes included within FRS 5 ‘Substance of transactions’.

Update on Prior Year Issues

3.7 Debtors position and associated bad debt provision
During 2002/03 the College has continued to make progress in reviewing its overall debtor position and associated bad debt provision, and this has led to a further improvement in the age of debt.

We are pleased to note the positive steps taken by the College during the year.

However, following a review of the collection of debts outstanding, during the year 2002/03, it would appear that the College may be over providing for bad debt as the collection rates have improved since previous years. Whilst this may be prudent, as the debt collection profile changes at the College, the College should further review/consider its overall provision.

We recommend the following:

The College should review its bad debt provision in light of the improved collection rates delivered by the accounts receivable team in the last two years, to ensure that they are not over-providing for debt.

This could be achieved by conducting a review of the actual collection rate on specific debts and comparing this with the provision against those debts.

3.8 Payroll/pension control accounts
As part of our systems work we review the fundamental reconciliations that are completed by the College to control the sub-ledgers. We have noted that significant progress has been made in reconciling the payroll and pension control account differences, and there is no longer an issue surrounding the timeliness of production and reconciliation of these accounts.

The payroll and pension control accounts are now fully reconciled on a monthly basis.

3.9 FRS 17 – Retirement Benefits
Financial Reporting Standard 17 (FRS17) – Retirement Benefits was issued in November 2000 and replaces SSAP24 which has been the UK standard on pension costs since 1988. The full requirements for FRS17 have been deferred pending discussions on International Accounting Standard 19, although there are transitional requirements for accounting periods ending on or after
Year ended 31 July 2003
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22 June 2001. For HE institutions this means the disclosure requirements of FRS17 will still be applicable for the year ending 31 July 2003.

The principle behind FRS 17 is that assets and liabilities relating to an organisation’s share of a pension scheme should be accounted for within the financial statements of that organisation.

The College operates four pension schemes. Three of these schemes (Universities Superannuation Scheme (USS), Superannuation Arrangements of the University of London (SAUL) and the NHS Pension scheme) are defined benefit, multi-employer schemes where it is not possible to identify the College’s share of the underlying assets and liabilities. Disclosure of these schemes within the financial statements is in accordance with the Education SORP, BUFDG guidance and FRS17.

The NHS scheme, however, does not detail any of the assumptions and actuarial valuation assumptions as required by SSAP24, as the scheme actuaries have not passed to the College the relevant information required for disclosure.

We recommend that the College review disclosure of this scheme with the NHS during 2003/04 to ensure that sufficient disclosure is obtained for the financial statements. This is particularly important for 2003/04 as this data will form the basis of the comparative disclosures when FRS17 comes fully into force in 2005.

The College also operates a defined benefit scheme (the Federated Pension Scheme) where it is possible for the College to identify its share of the underlying assets and liabilities and therefore disclose details in accordance with FRS17. However, the College did not request the details from the scheme actuaries during 2002/03 as it believed that the associated actuarial costs to provide the information outweighed the benefit from obtaining FRS17 information on a scheme that only had a few current members (others being pensioners and also few in number). This explanation has been included within the financial statements, along with a statement that confirms that the SSAP24 valuation is not believed to be materially different to the overall FRS17 valuation.
4. Accounting Developments

The financial statements have been prepared on a basis consistent with the 2002 financial statements. There were no new accounting standards adopted during the year.

Since the prior year end, two additional exposure drafts have been published:

- FRED 31 sets out proposals for a UK accounting standard that would apply to share-based payments transactions including all employee share options schemes, all SAYE type arrangements and all share based payment transactions involving goods and non-employee services. It is proposed that the standard would come into effect from the 1 January 2004.


These exposure drafts are both part of the transition towards International Accounting Standards which will impact both listed and unlisted companies. IAS must be adopted by all organisations for the the year ending July 2006. In addition, the opening balance sheet for the 2005 year end must be IAS compliant.

In summary, the timeframe for the implementation of International Accounting Standards is illustrated below, although this is subject to confirmation by HEFCE:

Opening Balance Sheet under IAS – August 2004;
Comparative Balance Sheet under IAS – 2004/05; and
Full year for IAS – 2005/06.

We would recommend that management make a preliminary investigation and assessment of the impact of this transition on the College. The following areas impacted upon by IAS may be of particular significance to the College:

- Accounting for leases

  The definition of a finance lease is essentially the same under UK GAAP and IFRS, however, in practical application we have found that IFRS uses a less quantitative assessment in place of the 90% test regularly applied rigidly under UK GAAP, which may lead to certain operating leases being reclassified as finance leases under IFRS.
5. Regulatory issues

5.1 Financial memorandum

As external auditors, we are required under the Code to report on whether, in all material respects, income has been applied in accordance with the financial memorandum between the College and HEFCE.

We plan to issue an unqualified report on this matter.

5.2 Use of funds

We are also required under the Code to report on whether, in all material respects, income has been applied for the purposes that it was intended.

All fraud related issues at the College have been raised to the Audit Committee by the internal auditors during the year and as such we have no further points to raise.

We plan to issue an unqualified report on this matter.
6. Internal control and risk management

In this section we set out our comments on:

- Internal audit;
- Risk management;
- Internal control at the College; and
- Internal audit

HEFCE have placed great emphasis on Internal Audit moving towards a risk-based approach to planning their internal audit services and this is further reinforced by the requirements of the Code.

Internal audit at the College is provided by Imperial College Internal Audit Services.

We reviewed the College’s internal audit service as part of assessing the system of internal financial controls. Our review of the 2002/2003 internal audit work relating to the College has not revealed any areas where the work was not performed and completed to a satisfactory standard. A systems based risk approach has been adopted with a good level of planning. Where the work by internal audit has identified weaknesses in the controls, we have carried out sufficient tests at the year end to ensure that this has not resulted in a material misstatement in the annual accounts. Any weaknesses identified by internal audit have been reported separately by the internal auditors.

We have placed reliance, where possible on internal audit work completed at the College, thereby preventing unnecessary duplication of work.

6.1 Risk management

It is a requirement of HEFCE, and reflects good management practice, that the principles of Turnbull be applied to the operational and strategic management of the College. HEFCE have set a target for all higher education institutions to have fully implemented risk management for 2002/03. The College is required to include in its financial statements a Statement of Internal Control which sets out its current position against the HEFCE requirements. We have reviewed this statement against our understanding of the College’s current processes. There are no matters arising from this that we need to draw to your attention.

6.2 Risk assessment process

The Audit Committee has considered risk management throughout the year and internal audit have
Year ended 31 July 2003
Management Letter to the Members of the Council

specifically reviewed this area against generally accepted best practice and HEFCE guidance. The College continues to be proactive in embedding a risk culture within the organisation and has extended the risk framework and review of risk to lower levels of the College, for example, through the annual budgeting process.

6.3 Internal control

Our audit is not designed to identify all significant weaknesses in the College's system of internal financial controls. Our review of internal financial control systems is only performed to the extent required to express an opinion on the College's financial statements and therefore our comments on these systems will not necessarily address all possible improvements that might be suggested as a result of a more extensive special examination. Overall, we concluded that the operation of the College’s systems was sufficient to support our planned audit approach.
7. Accounting and audit issues for the Subsidiaries

7.1 Treatment of disposal of revalued shares

Powderject shares were revalued in the accounts of Imperial College Innovations Ltd prior to their transfer to IFF&PGH LLP (an investment holding vehicle and subsidiary of the College and Imperial College Innovations Ltd). These shares were sold by the LLP in 2002/03, and the proceeds paid to Innovations had originally recognised this receipt as income in the year. They had then written down the carrying value of their investment in the LLP to reflect the reduced assets now held by that body, with the write down being charged direct to the revaluation reserve.

The sale of these shares was a complex transaction and therefore the treatment was not considered straightforward in accounting terms. A change from the original treatment of this disposal applied by the College and Innovations has been agreed between the College and ourselves.

In summary, the change agreed means that only the gain on sale over and above the revalued amount of the shares is accounted for through the Income & Expenditure Account, whereas previously the gain over historic cost had been taken as income during the year.

It is important that this treatment is understood as the same situation will arise should the other revalued shares held (Biogeny and Turbogenset) be sold in forthcoming years.

This additional disclosure has been made by the College.

7.2 Dispute re: portfolio transfer to the limited liability partnership

During the audit we were made aware of a potential legal challenge raised by the other members of the IFF&PGH Limited Liability Partnership against Imperial College and IC Innovations Ltd.

The other members assert that information regarding the valuation of the investment portfolio provided to them at the time of the creation of the LLP was in one case not BVCA compliant and in another case was incorrect. The partners therefore claim that, based on this erroneous information, they made an overpayment of approx. £1.9m for their share in the LLP. They are therefore seeking payment of this sum.

This issue raises potential issues for the College with respect to adequacy of controls and accounting.

The College has been investigating the legal and control issues in light of these allegations, and has taken legal advice whilst negotiating with the other members.
Year ended 31 July 2003
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The College has reached an agreement, whereby the limited liability partnership parties will be entitled to receive £1.9m upon sale of the individual shareholdings in the LLP portfolio. The College has disclosed, as appropriate the details relating to this in the financial statements.

7.3 Lease of telephone system switch

Extracalm Co Ltd lease a telephone system switch from Hill Samuel. Extracalm then sublease this telephone system switch to Imperial College.

In 2000, Imperial College entered into a contract with Ericsson whereby Imperial College took on a contractual obligation to sell the switch (the engine of the telephone system) to Ericsson for £1 under a PFI deal. The College would then take back the switch for £1 at the termination of the PFI deal in 2007. However, Imperial College do not own the switch, i.e. it is not their asset to sell; Hill Samuel retain legal ownership.

As per the lease agreement between Hill Samuel and Extracalm, Extracalm is able to sell the switch, in the capacity as Hill Samuel's agent. In contradiction to the agreement between the College and Ericsson however, the terms state that Extracalm must sell the asset at market value, to a non-related party and may not take ownership itself.

It is our understanding that the College is currently working with its legal advisors to crystallize this issue, although we are informed that Extracalm will remain in existence for at least the next 12 months. Disclosure of this has been included within the directors’ report for Extracalm. The College is currently working with legal advisors to determine any penalty clauses that need to be provided for by Extracalm (and/or the College) within the financial statements.

Both the lease and sublease are accounted for as finance leases in the books of Extracalm and the College. It should be noted, however, that as the PFI deal allows for transfer of the asset back to College for £1 at the end of the agreed term, if the College consider that it will have a value at the point of transfer, a proportion of payments made under the PFI should be taken to the balance sheet in order to build an asset value by 2007.

We recommend the College consider how this transaction be disclosed in the financial statements, considering the fair value of the asset and how this should be built up to the point at which the asset is received (2007) and the legal issues for the College, for example, penalty payments under the deal to be incurred.
Annex A – Summary of recommendations contained in this report

<table>
<thead>
<tr>
<th>Ref</th>
<th>Issue and recommendation</th>
<th>Management response</th>
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<tr>
<td>Page 9</td>
<td><strong>Endowment Funds</strong>&lt;br&gt; <em>We recommend the following:</em>&lt;br&gt;The College should review individual funds’ terms of original donation and ensure that they are able to spend the capital endowment part of the fund. Where this has not been obtained the original donor should be contacted to confirm that the College is allowed to spend these funds;&lt;br&gt;All endowment fund administrators should be identified;&lt;br&gt;The College should continue to take action to resolve all dormant funds. When the original purpose of a fund is no longer appropriate, the original donor should be contacted to seek consent to alter the purpose of the fund. Where the donor cannot be located, the College should contact the Charities Commission to request that the funds be reclassified as general funds, so that activity can begin again with expenditure from the fund on general items;&lt;br&gt;The College should improve the efficiency of the preparation and distribution of quarterly reports to administrators. Improving the timeliness of reports would enhance the decision making of fund administrators; and&lt;br&gt;All supporting documentation for endowments should be maintained centrally. A review of the objectives of each fund should be completed to ensure that all funds are operating within specified objects.</td>
<td>A fund-by-fund review has been commenced, with a view to clarifying the purpose and nature of each fund. This information is being collated within a single database, and supported by copy documentation in each case. This process will be completed by the end of March 2004, at which point recommendations will be made to the administrators on the future operation of each fund.&lt;br&gt;Administrators will be identified for the five outstanding funds before the end of the 2003 calendar year.&lt;br&gt;Where funds are ‘dormant’ action will be taken before 31 July 2004 to either bring those funds back into action, to recommend to administrators that the funds be consolidated with more general funds or to recommend that the funds be closed as the value is below that necessary to make them beneficial. Once these recommendations have been made a proposal will be made firstly to the Council and thereafter the Charity Commission to implement such changes.&lt;br&gt;Quarterly reports will be circulated to administrators with in six weeks of the quarter end in future.&lt;br&gt;A copy of the core documentation relating to each fund will be held within Finance, and the details reflected within Finance controlled database. However, in the case of prizes and scholarships, the main administrative function is carried out by the Registry so it remains logical</td>
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<td>Issue and recommendation</td>
<td>Management response</td>
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<td>Page 10</td>
<td><strong>Fully depreciated equipment assets</strong>&lt;br&gt; <em>We recommend the following:</em>&lt;br&gt; <em>Given that it has been determined, through the equipment asset circularisation to departments, that all fully depreciated equipment assets appearing on the fixed asset equipment register are still in use, a review of fully depreciated assets on the fixed asset register should be undertaken, to assess whether the asset lives should be reviewed to reflect the fact that assets are potentially being used for longer periods within the College than the accounting asset lives suggest.</em></td>
<td><em>We do not consider this to be an issue. We are satisfied that our current policy for equipment depreciation is fair and appropriate. An equipment is depreciated equally (straight line basis) over its useful life although its value is greater in the earlier years and diminishes in the value diminishes in the later year. We consider that a fully depreciated asset, although still in use, provides minimal value therefore revaluing these assets will not be appropriate.</em></td>
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<td>Page 11</td>
<td><strong>Estates accruals</strong>&lt;br&gt; <em>We recommend the following:</em>&lt;br&gt; <em>A full review of capital accruals post year-end should be conducted to ensure that both the fixed asset and creditors balance are complete and properly presented.</em>&lt;br&gt; <em>A full review of ‘c’ code accruals post year end should be conducted to ensure that both creditors / accruals and the income and expenditure account are complete.</em></td>
<td><em>Agreed, a policy is already in place to accrue for all capital expenditure items over £100k, this will be extended to include items over £50k with effect from the 2003/04 financial year.</em>&lt;br&gt; <em>With regard to those project related items which are written off to revenue, the accrual process will be identical to that for recurring costs, ie all items over £10k will be accrued.</em></td>
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<td>Page 11</td>
<td><strong>Short course income</strong>&lt;br&gt; <em>We recommend the following:</em>&lt;br&gt; <em>There should be a review of short courses run by the College. All short courses should be identified and the implementation of financial procedure guidelines circulated by Central Finance to departments should be monitored to ensure that they use the correct ledger codes;</em>&lt;br&gt; <em>Central monitoring of short course fee income and student numbers should be instigated; the Continuing Professional Development department appears to be well placed to perform this function. This will help to ensure that the year end balance can be substantiated and that HESA returns are accurate.</em></td>
<td><em>Agreed, we shall work with the Director of Continued Professional Development to introduce a mechanism to capture the relevant information and to ensure that accurate information is provided on the HESA returns.</em></td>
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<td>Page 12</td>
<td><strong>Bad debt provision</strong></td>
<td><em>Agreed, the policy is already in place for a regular review of debts owed to College. Age and category of debts...</em></td>
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<td>Ref</td>
<td>Issue and recommendation</td>
<td>Management response</td>
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<td><strong>We recommend the following:</strong></td>
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<td>The College should review its bad debt provision in light of the improved collection rates delivered by the accounts receivable team in the last two years, to ensure that they are not over-providing for debt.</td>
<td>College. Age and category of debts are reviewed and the doubtful debts provision is adjusted accordingly.</td>
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<td>This could be achieved by conducting a review of the collection rate on specific debts and comparing this with the provision against those debts.</td>
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<td>Page 13</td>
<td><strong>FRS 17 – Retirement benefits</strong></td>
<td>Agreed, we shall obtain the necessary information on the NHS pension scheme to comply with the FRS 17 disclosure requirements.</td>
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<td>We recommend that the College review disclosure of this scheme with the NHS during 2003/04 to ensure that sufficient disclosure is obtained for the financial statements.</td>
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<tr>
<td>Page 21</td>
<td><strong>Extracalm PFI deal</strong></td>
<td>Agreed, negotiations with the leasing company are at an advance stage and the leasing arrangements are likely to end within the 2003/04 financial year.</td>
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<td>We recommend the College consider how this transaction be disclosed in the financial statements, considering the fair value of the asset and how this should be built up to the point at which the asset is received (2007) and the legal issues for the College, for example, penalty payments under the deal to be incurred.</td>
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Annex B – Our audit approach

We have already referred to the principal objectives of our service in the introduction to this report. Our audit procedures are tailored to our assessment of risk of material misstatement taking into account the inherent risks of error or fraud and our assessment of the effectiveness of controls in eliminating or reducing those risks.

We consider controls primarily in overall terms and place reliance on the work of Internal Audit as appropriate. We cannot in practice examine every operating activity or accounting procedure in the College nor can we be a substitute for management’s responsibility to maintain adequate controls at all levels of the College. Our work cannot, therefore, be expected to identify all weaknesses in your systems and procedures that a special investigation directed at those systems and procedures might reveal.

As to the possibility of fraud, we plan our audit to have a reasonable expectation of its disclosure if the potential effects of the fraud would be material to the financial statements. However, there are many kinds of fraudulent activity, particularly those involving forgery, collusion and management override of control systems, which it would be unreasonable to expect the normal statutory audit to uncover.

We reach our overall assessment by drawing on the results of our audit work on the financial statements themselves. This is a combination of closer consideration of certain of the systems and accounting controls and confirming the material items in the accounts with relevant evidence depending on our judgement of the risk of misstatement.

We shall be pleased to discuss with you an extension of our audit to probe more deeply into any activities of the College, which may potentially concern you.
A Note by the Chairman of the Audit Committee

INTRODUCTION

1. This Report covers the Audit Committee’s work for the financial year 2002-03 and is set out in the format recommended by the Higher Education Funding Council for England (HEFCE) in its Audit Code of Practice.

TERMS OF REFERENCE AND MEMBERSHIP

2. The Committee’s terms of reference and membership are attached at Annex A. The Committee had a full complement of members for the entire year.

MEETINGS OF THE AUDIT COMMITTEE IN 2003

3. Since its last Report to the Council, the Audit Committee has held meetings on 29 January, 18 June and 25 November 2003.

INTERNAL AUDIT

4. Internal Audit services are provided in-house by the College’s Management Audit and Review section within the context of the 2001/2005 Strategic Audit Plan approved by the Committee, and prepared in accordance with the HEFCE Audit Code of Practice guidelines, additionally taking account of the College’s Risk Register. The objective of this Strategic Plan is to cover all identified significant areas within a four-year cycle on the basis of the constituent Annual Operational Audit Plans, which are subject to change to take account of any significant variations in the organisational structure or changing needs and priorities. Contract internal audit services are also provided to the Royal College of Art and the Royal College of Music. By mutual consent, the services provided to the Royal College of Music ceased with effect from 31 July 2003. The staffing of the Unit consists of the Head, Manager, and two and a half FTE Auditor posts. PricewaterhouseCoopers (PwC) and a Computer Audit Consultant provide an additional internal audit resource.

5. In all, 34 internal audit reports were issued during the year. A copy of each report is passed to the College Secretary for information and discussion as appropriate at monthly management meetings in respect of significant findings and recommendations arising from the reviews. A further copy is issued to the Director of Finance so that he is aware of any control issues and/or recommendations impacting upon the central finance function. The Audit Committee also receives a regular update on completed internal audit reports, which includes a summary of specific issues arising from the audits.
6. Exceptional items reported to the Committee included:

a. **Fraudulent Purchases within the Plumbing Section of the Estates Division.** A successful Police prosecution followed the investigation into this matter, with the co-conspirators - a College employee and a Company Director - receiving custodial sentences of 18 months and 12 months respectively at Southwark Crown Court in August 2003. The designated parties under the College’s Fraud Response Policy (including HEFCE) were fully informed.

b. **Physics Department Stores (Faculty of Physical Sciences).** This fraud was detected via management controls during a review of the Store’s product lines and associated costs. The College’s Fraud Response Policy was invoked with appropriate parties being informed. The employee concerned tendered his resignation after being interviewed jointly by the Departmental Director and Internal Audit.

c. As a consequence of these two (unrelated) stores matters, a comprehensive review of College stores operations was conducted, the report of which is still in draft. The final report will be submitted to the Executive Committee for consideration in due course.

7. Both the College’s Management Audit and Review’s *Terms of Reference* and the HEFCE *Audit Code of Practice*, require the provision by the head of the internal audit service of “an opinion on the whole framework of internal control, including risk management and governance at the institution, and on the arrangements for securing economy, efficiency and effectiveness.” The four-year Strategic Plan cycle, and more specifically the Operational Plan for the period from August 2002 to July 2003, provide a basis on which such an annual audit opinion can be given. This does not, of course, imply that those systems reviewed are sufficiently secure to eliminate all possibility of error or fraud, but the opinion of the Head of Management Audit and Review is that the College’s corporate internal control arrangements (both financial and administrative) are such as to minimise such risks. Subject to the scope and objectives of individual reviews, and the fact that examinations are necessarily conducted on a sampling basis, the Head of Management Audit and Review has concluded that, notwithstanding the two frauds reported to the Committee, the College has in place satisfactory arrangements for internal control, including risk management and governance, and arrangements for securing value for money.

**EXTERNAL AUDIT**

8. External audit services are provided by PricewaterhouseCoopers (PwC). At its meeting in June 2003 the Committee considered the External Audit Strategy for the preparation of the Financial Statements for 2002-03, noting in particular that:

a. The change to the College’s borrowing policy and the resultant loans taken out by the College would be disclosed in line with FRS13.

b. The College would have to meet the transitional requirements of FRS17.

c. The College would be implementing the Oracle Grants Module, which was a complex module within the Oracle system. Progress with this implementation would therefore be monitored by the auditors.

9. The formal opinion of the auditors is given in the Financial Statements 2002-03 and in the Management Letter to the Council from PwC.
VALUE FOR MONEY (VFM)

10. Responsibility for delivering initiatives to secure economy, efficiency and effectiveness rests with the College’s senior management. The Committee has previously agreed that the responsibility for considering VFM initiatives lies with the College’s Executive Committee and that an opinion, based on their review during the year, should be included in the Internal Audit annual report to the Audit Committee. A report on VFM initiatives was presented to the Executive Committee in November 2003. A copy of this comprehensive report was also provided for the Audit Committee at its meeting in November and, on that basis, the Committee can confirm that appropriate management systems are in place for the evaluation and monitoring of a VFM strategy within the College.

RISK MANAGEMENT

11. The HEFCE’s current Accounts Direction requires HEIs to have fully implemented the Turnbull and Combined Code Recommendations on Corporate Governance by 2003. This means that, when the governing body of a higher education institution approves that organisation’s Annual Accounts by 31 December each year, it should state whether or not it is satisfied that all material risks facing the institution have been identified. To meet this requirement the College’s Risk Management Policy stipulates that the Executive Committee will carry out an annual review of the College’s Risk Register and Action Plan in July. The Executive Committee’s recommendations are then to be passed to the Audit Committee for consideration so that the Committee can, in turn, make its report to the Council.

12. The Executive Committee conducted its review of the College’s Risk Register in July. However, at that meeting the Committee asked for further work to be done to match the Register with the College’s Strategic Plan and to consolidate the risks wherever possible. This second review was completed in September and a revised Risk Register and Action Plan was approved by the Executive Committee at its meeting on 26 September. In the light of the Review conducted by the Executive Committee, the Audit Committee is satisfied that the Risk Management Policy and associated procedures put in place in 2002 have been implemented effectively, that the College has been operating in accordance with the Turnbull and Combined Code Recommendations for the full year and that it has therefore complied fully with the HEFCE’s current Accounts Direction. The Committee also noted that this was the first full year of implementation and commended the College for its serious approach to risk management and the thoroughness of its review.

APPOINTMENT OF EXTERNAL AUDITORS

13. The appointment of the College’s external auditors was last reviewed in 1997, following which the appointment of Price Waterhouse for a period of 5 years was approved by the then Board of Governors at its meeting on 20 June 1997. This 5-year period expired in July 2002. However, in November 2001, the Audit Committee took the view that, although the College’s Finance Division had done much to address the significant problems it had experienced in the previous year, there was still much to be done. The Audit Committee therefore recommended that the appointment of PricewaterhouseCoopers (PwC) as the College’s external auditors be formally extended for a period of two years and that the position of the College Auditors should be reviewed by the Council at the conclusion of this
period in 2004. Resolutions to this effect were passed by the Council at its meeting in December 2001.

14. This two year extension will expire in July 2004. The Audit Committee has therefore agreed to institute a re-tendering process for the appointment of the College’s external auditors. At the same time, the College will also be tendering for limited internal audit services. The process agreed by the Committee will result in a recommendation for the separate appointment of external and internal auditors being made to the Council in March 2004, with the new external auditors commencing their appointment from 1 August 2004.

OPINION

15. In its terms of reference included in this Report, the Council has delegated to the Audit Committee the responsibility for reviewing the effectiveness of the College’s financial procedures, in order that it can assure the Council that funds from HEFCE have been used only for the purposes for which they have been given, that public funds and those received from other sources have been safeguarded, and that the management of the College’s resources and expenditure has been such as to secure their use in an economic, efficient and effective way.

16. Given the assurances contained in the reports made to the Audit Committee during the year by the Internal and External Auditors, and in the summaries of their annual reports to the Audit Committee contained in this Report, together with those received from the College management, the Audit Committee is now able to give the Council the necessary assurances that the Council’s responsibilities have been satisfactorily discharged.

D.P. Hearn
Chairman, Audit Committee
AUDIT COMMITTEE

Terms of Reference

(i) To keep under review the effectiveness of internal control systems, and in particular to review the external auditors' management letter, the internal auditors' annual report, and management responses.

(ii) To consider the Annual Financial Statements in the presence of the external auditor, including the auditor's formal opinion, the statement of members’ responsibilities and any corporate governance statement.

(iii) To monitor the implementation of agreed recommendations arising from internal and external audit reports.

(iv) To advise the Council on the appointment of the external auditors, the audit fee, the provision of any non-audit services by the external auditors and any questions of resignation or dismissal of the external auditors.

(v) To review the internal auditors' audit needs assessment and the audit plan; to consider major findings of internal audit investigations and management's response; and promote co-ordination between the internal and external auditors. The Committee will ensure that the resources made available for internal audit are sufficient to meet the College's needs.

(vi) To satisfy itself that satisfactory arrangements are in place to promote economy, efficiency and effectiveness.

(vii) To receive any relevant reports from the National Audit Office, the HEFCE and other organisations.

(viii) To monitor annually the performance and effectiveness of external and internal auditors.

(ix) To report to the Council at least annually on its activity for the year and to give its opinion on the extent to which the Council may rely on the internal control system and the arrangements for securing economy, efficiency and effectiveness.

(x) The Committee shall have the authority to call for any information from College officers, external and internal auditors and others which it considers necessary to discharge its responsibilities effectively.

Constitution:

A Chairman to be appointed by the Council from among the lay members of the Council

Three members with appropriate expertise to be appointed by the Council from among the lay members of the Court and/or Council.

One member to be appointed by the Council from among the elected staff representatives
No member of the Audit Committee may also serve on the College’s Finance Committee.

In attendance:
The Rector
The Deputy Rector
The College Secretary
The Director of Finance
The Head of Management Audit and Review
A representative of the external auditors

Secretary
Head of Central Secretariat and Assistant Clerk to the Court and Council

Present Membership

Mr D P Hearn (Chairman)
Mr G Bickerton
Mr D R L Duncan
Professor D Griffiths
Dr D J Wilbraham

Meetings and Reporting:

The Committee shall meet not less than three times a year and shall report:

   (a) to the Council in December.

   (b) to the Court in March.

Quorum:

The quorum shall be the Chairman or Deputy Chairman and two other members.
PAPER G

IMPERIAL COLLEGE REPRESENTATION LETTER

A Note by the Director of Finance

1. The Management Representation Letter is attached.

2. The Council is invited to consider and, if it sees fit, approve the Representation Letter, a copy of which will be signed following the Meeting.

A.S.D.C.
12th December 2003

PricewaterhouseCoopers LLP
Southwark Towers
32, London Bridge Street
London
SE1 9SY

Dear Sirs,

MANAGEMENT REPRESENTATION LETTER

This representation letter is provided in connection with your audit of the consolidated financial statements of Imperial College London and its subsidiary companies for the year ended 31 July 2003 for the purpose of expressing an opinion as to whether the financial statements give a true and fair view of the state of affairs of the group as at 31 July 2003 and of its surplus and cash flows for the year then ended, taking into account, where relevant and appropriate, all required statutory and other disclosure requirements and the Statement of Recommended Practice (SORP) on Accounting for Further and Higher Education and the Companies Act 1985.

We acknowledge our responsibilities under the Financial Memorandum with HEFCE for preparing financial statements, which give a true and fair view, and for making accurate representations to you.

We confirm, to the best of our knowledge and belief and having made appropriate enquiries of other members of the governing body and officers of the College, the following representations:

Accounting Records

All the accounting records have been made available to you for the purpose of your audit and all the transactions undertaken have been properly reflected and recorded in the accounting records. All other records and related information which might affect the truth and fairness of, or necessary disclosure in, the financial statements, including minutes of Council members’, senior officers’ and relevant management meetings, have been made available to you and no such information has been withheld.

Accounting Policies

We confirm that we have reviewed the group’s accounting policies and estimation techniques and, having regard to the possible alternative policies and techniques, the accounting policies and estimation techniques selected for use in the preparation of the financial statements are the most appropriate to give a true and fair view for the institution’s particular circumstances, as required by FRS 18.

In particular we have reviewed the accounting estimates used in calculating the bad debt provisions and are satisfied that the value of the debt less the provision included within the accounts represents our best estimate of the likely amount that will be collected in the future.
Related Parties

We confirm that we have disclosed all related party transactions relevant to the College and that we are not aware of any other such matters required to be disclosed in the financial statements whether under FRS 8, the Higher Education SORP, or other requirements, for example, HEFCE Circulars.

Transactions with Directors/Officers

No transactions involving directors, officers and others requiring disclosure in the financial statements under the Companies Act 1985 have been entered into.

Contractual Arrangements/Agreements

All contractual arrangements entered into by the College with third parties have been properly reflected in the accounting records or, where material (or potentially material) to the financial statements, have been disclosed to you.

Laws and Regulations

We are not aware of any instances of actual or potential breaches of or non-compliance with laws and regulations that are central to the college’s ability to conduct its business or that could have a material effect on the financial statements.

We are not aware of any irregularities, or allegations of irregularities including fraud, involving management or employees who have a significant role in the accounting and internal control systems, or that could have a material effect on the financial statements.

Retirement Benefits

The institution participates in a number of defined benefit schemes. We confirm that the institution’s share of the underlying assets and liabilities in the Universities Superannuation Scheme (USS), the Superannuation Arrangements of the University of London (SAUL) and the NHS Scheme cannot be identified and as a consequence the schemes have been accounted for as defined contribution schemes.

We confirm that we believe the valuation of the surplus/deficit as at 31 July 2003 in the Federated Pension Scheme (FPS) in accordance with FRS17 is not materially different to the SSAP24 valuation disclosure in the financial statements.

All significant retirement benefits that the group is committed to providing, including any arrangements that are statutory, contractual or implicit in the institution’s actions, wherever they arise, whether funded or unfunded, approved or unapproved, have been identified and properly accounted for and/or disclosed.

The actuarial assumptions underlying the valuation of retirement benefit scheme liabilities are consistent with our knowledge of the business and in our view would lead to the best estimate of the future cash flows that will arise under the scheme liabilities.

Application of Funds

We confirm that funds, from whatever source, administered by the College for specific purposes, have been properly applied to those purposes and, where relevant, managed in accordance with appropriate legislation, and that all funds provided by the HEFCE have
been applied in accordance with the relevant Financial Memorandum and any other terms and conditions applied to them.

**Research**

All income and expenditure relating to research projects undertaken by the College have been reflected in the financial statements in line with the relevant accounting standards. All expenditure has been applied for the purpose intended.

**Taxation**

We confirm that we have complied with the requirements of United Kingdom Corporation Tax and Value Added Tax.

**Litigation**

We are not aware of any pending or threatened litigation, proceedings, hearing or claims negotiations which may result in significant loss to the College.

**Liabilities and Provisions**

We have recorded or disclosed, as appropriate, all liabilities, both actual and contingent, and have made full provision for all liabilities at the balance sheet date including guarantees, commitments and contingencies where the items are expected to result in significant loss.

Specifically, we confirm that the provision made by the College in relation to the decommissioning of the College's specialist engineering facility at Silwood Park has been recorded at the full cost anticipated to be incurred by the College discounted to today's prices.

**Assets**

We have no plans or intentions that may materially alter the carrying value or classification of assets reflected in the financial statements.

We confirm that we have considered the need for impairment of the carrying value of the assets within the financial statements in accordance with FRS11 and that no adjustment is required.

In our opinion, on realisation in the ordinary course of the business the current assets in the balance sheet are expected to produce no less than the net book amounts at which they are stated.

The College has satisfactory title to all assets and there are no liens or encumbrances on the College's assets, except for those that are disclosed in the financial statements.

**Associate Companies**

We confirm that, with the exception of the disclosures in the financial statements, the College has no participating interest in any associate companies which require consolidation in the financial statements and which would be material to the College’s consolidated financial statements.
Subsequent Events

There have been no circumstances or events subsequent to the period end which require adjustment of or disclosure in the financial statements or in the notes thereto.

Dispute re: Portfolio Transfer to the Limited Liability Partnership

We confirm an agreement has been reached, whereby the limited liability partnership parties will be entitled to receive £1.9m upon sale of the individual shareholdings in the LLP portfolio. We have disclosed, as appropriate the details relating to this in the financial statements.

For and on behalf of Imperial College London

........................................             ……………………………           .........................................
(Rector)                                        (Director of Finance) (College Secretary)
PAPER H

AUDIT COMMITTEE REVIEW OF
THE COLLEGE’S RISK MANAGEMENT PROCESSES

A Paper by the Chairman of the Audit Committee

BACKGROUND

1. The Higher Education Funding Council for England (HEFCE) requires that, when the governing body of a higher education institution approves that organisation's Annual Accounts by 31 December each year, it should state whether or not it is satisfied that all material risks facing the institution have been identified. To meet this requirement the College’s Risk Management Policy stipulates that the Executive Committee will carry out an annual review of the College’s Risk Register and Action Plan in July. The Executive Committee’s recommendations are then to be passed to the Audit Committee for consideration in September so that the Committee can, in turn, make its report to the Council at the latter's October meeting.

RISK MANAGEMENT REVIEW

2. In accordance with the College’s Policy, in July the Executive Committee conducted a review of Risk Management at College level to confirm that the Policy and associated procedures put in place in 2002 had been implemented effectively. This was the first occasion on which such a Review had been conducted and it was carried out in four main stages:

   a. Each Faculty and all independent Departments/ Divisions were required, as part of the annual Planning Round, to report whether any previously identified risks or unforeseen events had significantly impeded them in achieving their objectives, what action they had taken to mitigate any identified risks, and what they considered to be the five most significant risks facing them at present.

   b. In the second part of the Review all those identified as being responsible for taking action to mitigate the risks listed in the existing (2002/03) College’s Risk Register and Action Plan were asked to update that document in the light of this action and any other internal or external factors affecting those risks.

   c. The third stage was to review the Executive Committee’s Minutes to identify any risks identified during the year and assess what action was taken to mitigate these risks.

   d. The final stage of the Review was for the Executive Committee itself to consider the College’s Risk Management Policy and procedures, together with the Risk Register and Action Plan, in the light of the inputs from the first three stages.

3. The Executive Committee decided at that point that the Register should also be reviewed against the College’s Strategic Goals since it was felt that this would provide a better hierarchy of risks and would also allow the number of identified risks to be reduced. This second review resulted in a consolidated Risk Register and Action Plan in which 13 ‘primary’ risks were identified rather than the 49 risks included in the original Register.
4. In September, the Executive Committee considered the newly consolidated Risk Register, agreed the priorities assigned to each risk and confirmed that no changes were required to the College’s Policy and procedures. A Report on the review process, together with the full Risk Register and Action Plan was then circulated to members of the Audit Committee so that it could fulfil its obligation under the Policy to report to the Council.

**OPINION**

5. In the light of the Review conducted by the Executive Committee, the Audit Committee is satisfied that the Risk Management Policy and associated procedures put in place in 2002 have been implemented effectively, that the College has been operating in accordance with the Turnbull and Combined Code Recommendations for the full year, and that it has therefore complied fully with the HEFCE’s current Accounts Direction. It recommends that a statement to this effect may now be included in the Annual Financial Statements for the year ended 31 July 2003.

6. The Committee also noted that this was the first full year of implementation and commended the College for its serious approach to risk management and the thoroughness of its review. A list of the 13 primary risks in priority order is attached at Annex A for information. A copy of the full Risk Register and Action Plan will be available for inspection at the Council meeting.

D.P. Hearn  
Chairman of the Audit Committee
## IMPERIAL COLLEGE PRIMARY RISKS 2003

<table>
<thead>
<tr>
<th>Priority (2)</th>
<th>Statement of Primary Risks</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 [1]</td>
<td>The College may be unable to attract, reward, develop and retain the calibre of staff it needs.</td>
</tr>
<tr>
<td>2 [2]</td>
<td>The College may fail to diversify and increase its sources of income.</td>
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<tr>
<td>3 [3]</td>
<td>The College may fail to maintain, develop and exploit its Estate.</td>
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<tr>
<td>4 [4]</td>
<td>Government Policies may adversely affect the College, particularly in terms of teaching, research and general funding.</td>
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<tr>
<td>5 [5]</td>
<td>There is a risk that the College may fail to manage its operations efficiently and effectively.</td>
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<tr>
<td>6 [8]</td>
<td>The College may fail to:</td>
</tr>
<tr>
<td></td>
<td>a. Implement effective financial management processes.</td>
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<tr>
<td></td>
<td>b. Plan for future liabilities.</td>
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<tr>
<td>7 [10]</td>
<td>The College may fail to develop a strategy for, and maintain the quality of, its research.</td>
</tr>
<tr>
<td>8 [11]</td>
<td>The College may fail to exploit fully the value of its IPR.</td>
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<tr>
<td>9 [13]</td>
<td>The College’s IT systems may fail to keep abreast of its needs.</td>
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<tr>
<td>10 [14]</td>
<td>The College may fail to meet student number targets while maintaining quality.</td>
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<tr>
<td>11 [20]</td>
<td>The College may fail to develop a strategy for, and maintain the quality of, its teaching and learning.</td>
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<tr>
<td>12 [28]</td>
<td>There is a risk that College’s international position and reputation might decline.</td>
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<tr>
<td>13 [35]</td>
<td>The College may fail to respond adequately to changing Health and Safety and other legislation.</td>
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</tbody>
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2. Priority from the previous Risk Register is stated in square brackets.
<table>
<thead>
<tr>
<th>Strategic Plan Goals</th>
<th>Associated Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Teaching and Learning at Imperial</td>
<td>10</td>
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<tr>
<td>2. Recruitment of suitably qualified students</td>
<td>9</td>
</tr>
<tr>
<td>3. Research Strategy</td>
<td>7</td>
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<tr>
<td>4. Exploitation of intellectual assets and skills</td>
<td>8</td>
</tr>
<tr>
<td>5. Fund raising</td>
<td>2</td>
</tr>
<tr>
<td>6. The financial management plan</td>
<td>6</td>
</tr>
<tr>
<td>7. Staff attraction, reward and development and retention</td>
<td>1</td>
</tr>
<tr>
<td>8. Strengthening the reputation and international position of Imperial</td>
<td>11</td>
</tr>
<tr>
<td>9. Managing the Estate</td>
<td>3</td>
</tr>
<tr>
<td>10. Improving the effectiveness of the organisation</td>
<td>5</td>
</tr>
<tr>
<td>11. Health, Safety and the environment</td>
<td>12</td>
</tr>
<tr>
<td>12. Influencing the development of the higher education environment</td>
<td>4</td>
</tr>
<tr>
<td>13. Improving access to, and use of, information</td>
<td>8</td>
</tr>
<tr>
<td>14. Creating a Business School that displays Imperial values and excellence</td>
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</tr>
</tbody>
</table>
PAPER I
FINANCE MANAGEMENT REPORT
for the three months ended 31st October 2003

A Note by the Director of Finance

FULL-YEAR FORECAST

1. The operating forecast for the full year is £0.1M better than budget, at a deficit of £3.8M. However, current indications are that student fee income will be significantly better than budget (which itself was 3% up on last year’s actual income). This fee income will be revised in the next report to Council.

2. Exceptional income of £9.6M has already been achieved, against a budget of £12.2M. This comprises the sale of two residential properties both as budgeted - Montpelier (gain £7.7M) and 21, Ossington Street (gain £1.1M) - and the unbudgeted sale of part of the TurboGenset holding (gain £0.8M). The full year budget for exceptional income includes the sale of the sports ground at Cobham, which has not yet been completed.

YEAR-TO-DATE RESULTS

3. Within faculties, research income is £1.7M below budget, but this is offset by a £1.4M reduction in direct expenses so the contribution to overheads is just £0.3M below budget. (Some faculties are up and others are down). In addition, Other Direct Income is running £1.1M behind budget. These shortfalls are more than offset by a £1.7M under-spend on non-research expenditure (but see note 4 below).

4. Staff expenditure does not take account of the current year’s pay awards, budgeted to take effect from 1st August but not implemented by 31st October. This could amount to around £0.7M for the quarter.

5. Within the Central Support Service area actual expenditure is £1.6M below budget. Of this, £0.8M relates to staff, of which £0.3M relates to the pay awards (not yet reflected in the actual figure). The non-staff variance relates to utilities, long-term maintenance and general underspends in other areas. These favourable variances are likely to reverse during the year.

BALANCE SHEET

6. Cash receipts this year have been good, including monies from HEFCE for SRIF projects and the seasonal influx of student fees. As a result net borrowing at £10.4M is less than the year-end figure of £23M. The current figure is better than forecast, as may be seen from the chart on page 5, due to higher student fees than expected and slippage in payments for capital expenditure.

7. Invoiced debtors at £71.1M are lower than the £77.6M of a year ago, despite increasing turnover. The over-12 month element of total debt has risen slightly from £3.1M at the year-end to £4.2M due solely due to research contracts. The total is nevertheless £2.4M
lower than a year ago.

**CAPITAL EXPENDITURE**

8. **Externally Funded Projects** (for this purpose excluding the TBS). Actual expenditure totalled £11.5M in the quarter to October and a further £22.0M is planned for the remainder of the year. Projects with significant spend this year include:

   a. St Mary’s Medical School refurbishment: £3.7M year-to-date, £17.7M total to date and a further £5.7M to complete.

   b. Biochemistry rejuvenation: £3.3M year-to-date, £6.5M total to date and a further £6.8M to complete.

9. **College-Funded Projects** (for this purpose including the TBS). Actual expenditure totalled £10.1M in the quarter to October and a further £22.4M is planned for the remainder of the year. Projects with significant spend this year include:

   a. Faculty Building: £2.7M year-to-date, £6.5M total to date and a further £8.3M to complete.

   b. GeoSciences & Engineering refurbishment in RSM: £2.3M year-to-date, £5.6M total to date and a further £2.9M to complete.

   c. Tanaka Business School: £3.1M year-to-date, £21.2M total to date and a further £6.9M to complete.

**FUNDING**

10. There is no need to draw down on the EIB facility (£23M) until borrowings exceed, for a substantial time, the £50M already drawn down. As can be seen from the borrowings chart, (3) this is not expected to occur until around May 2005. Under the terms of the facility drawdowns must be made before September 2005.

A.S.D.C.

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(3) Not included with these Minutes.
PAPER J
REPORT FROM THE FINANCE COMMITTEE MEETING
HELD ON 1 DECEMBER 2003
A Report by the Chairman of the Finance Committee

FINANCE DIRECTOR'S REPORT

1. The Director of Finance presented a first quarter report for the current Financial Year noting that it was too early to identify any significant trends, but that performance was well within the expected parameters. The Committee also consider whether it might be desirable to draw down the European Investment Bank loan facility at a fixed rate of interest but determined that doing so was unlikely to provide a significant benefit to the College. It was therefore agreed that no action should be taken on this matter at the moment, but that consideration would need to be given to taking the loans on a fixed or floating rate before draw down.

'ENDOWMENT FUND'

2. The Director of Finance presented a consultation document designed to enable the College to monitor the assets held within the virtual ‘endowment fund’ that had been established to match the borrowings requirement. So far he had dealt with tangible property assets and would incorporate IPR considerations later. He emphasised the importance of the valuations used, and the assumptions on which they were based. It was agreed that the proposed methodology would provide the underlying information required to ensure that the College was in a position to manage its debt position and the Committee therefore requested that the Director of Finance take the process forward. It was agreed that the initial valuations needed to be established with a significant degree of accuracy in the first place, but thereafter a desktop valuation process should be used to monitor performance. The Committee requested that the Director of Finance confirm the definition of non-core assets and apply this definition rigidly in creating the asset base of the fund. Furthermore it was stressed that the valuations, and the basis of the assumptions associated with each asset, should be agreed with the appropriate member of the Executive.

FINANCIAL STATEMENTS FOR 2002/03

3. The Committee received the Financial Statements for the last financial year. It was noted that there continued to be a commendable performance with regard to the working capital position, but that it was important that the College continued to optimise the opportunities offered in this area. The Committee also noted that the increasingly important role played by overseas student fees should be further emphasised in the Treasurer’s Report. Finally it was noted that significant work would need to be done in the coming financial year to deal with the College’s requirements to report under FRS 17 on the issue of pension liabilities. The Committee requested that the Director of Finance develop a proposal for how this issue would be dealt with for future consideration. The Committee therefore recommends that, subject to the minor amendment requested to the Treasurer’s Report, that the Council approve the Financial Statements for 2002/03.
APPROVAL OF CAPITAL PROJECTS AND MAJOR PURCHASES AND DISPOSALS

4. The Committee received a paper detailing the proposed changes to the delegated authority to approve capital projects. It was noted that the Committee had become too involved in considering the detail of projects over the last two years, whereas the emphasis of the Committee’s activities should be on considering the wider programme into which the projects fit. It was stressed that the annual planning cycle needed to continue to apply robust methodology to the prioritisation and planning of the College Capital Investment Plan, and that assuming this approach was maintained the Committee welcomed an approvals procedure which reduced bureaucracy and placed responsibility for the year by year delivery of the Capital Investment Plan clearly with the College executive. There was strong support for increasing the level of authority for capital approvals to £5m; however, there was some concern that the proposed approach would fail to capture prospective expenditure on major projects which represented a more significant risk to the College as failure to deliver the final project could result in such expenditure having to be absorbed into the College’s operating results. It was agreed therefore that the Committee should recommend to Council that an increased limit of £5m be proposed for the approval of capital projects provided in each case: 1) that the projects are included within the latest approved Capital Investment Plan; 2) the College’s contribution to the costs can be accounted for in the cash flow forecast without exceeding the approved borrowing limit and 3) formal commitment has been received from any external funders supporting the project.

5. In addition, the Committee requested that an additional, lower, £1m threshold be created for the approval of more speculative development work. It was proposed that the Finance Committee should be given delegated authority to deal with this area of business, so that where it is anticipated that the fees required to develop a proposal to a stage whereby it can be properly considered for inclusion in the Capital Investment Plan, or for ‘off balance sheet’ funding, the proposal should be put to the Finance Committee for consideration and approval. It was also agreed that the Finance Committee must continue to receive timely and accurate reports regarding the progress of approved projects against the plan. The Committee therefore requested that the Clerk to the Council’s paper be put forward to the Council for consideration subject to the changes agreed at the meeting.

CAPITAL PROJECT APPROVALS

6. The Committee received requests for Capital Project approvals relating to the Burlington Danes Project and the SRIF II Programme. In both cases the key questions for the Committee were:

   a. Are these projects included within the current Capital Investment Plan;

   b. Have the College contributions anticipated in these proposals been accounted for in the latest cash flow forecast, and can they be achieved within the approved borrowings limit; and

   c. Have the external funding sources identified been formally committed?

7. In the case of Burlington Danes it was confirmed that the project was included in principle in the Capital Investment Plan, that the College’s contributions as set out in the request for approval were fully accounted for in the latest cash flow forecast and that the external project funding was pending approval from HEFCE for a re-assignment of the SRIF element to this project. The Committee therefore agreed that the project should be put
forward for approval by the Council with the Committee’s support on the condition that HEFCE approve the reassignment of the SRIF funds. It was further noted that the project originally included within the SRIF II programme for the use of these funds should be re-classified within the Capital Investment Plan to recognise that alternative funding would be required. It was also noted that the revised funding sources for this project would involve the College taking on a fair proportion of the development risk, but that this aspect had been considered and a source of funds to cover any contingency required in this area had been identified and confirmed.

8. In the case of the SRIF II programme the Committee noted that all three questions were answered positively, and that the programme excluded the project for which the funds had been reassigned to the Burlington Danes project, and therefore they agreed that it should be taken forward for approval by the Council with the full support of the Finance Committee.

APPROVED CAPITAL PROJECTS REPORT

9. The Committee received an updated copy of the approved capital projects report and were pleased to note that none of the current projects were identified as giving any significant cause for concern.

INNOVATIONS REPORT

10. The Committee received a paper from the Pro Rector (Development and Corporate Affairs). The main new area covered within the report was the decision to invest £650k of College funds in the second funding round of a College spin-out. The Committee was advised that the Innovations Board had determined that the College needed to be in a position to invest cash, as well as original IP, in the spin-out portfolio in order to optimise the opportunity to develop a significant income stream through commercialisation. It was noted that Innovations had taken forward a proposal with regard to a specific company to the Executive who had approved a cash investment in order to avoid the College’s interest being diluted. In discussing the principles behind this approach, the Committee emphasised the need to consider such investments within the virtual endowment fund to ensure that the costs and benefits associated were monitored appropriately, and also to ensure that the amount of cash invested in the venture capital element of the total portfolio was prudent and in proportion with the value attributed to the original IP. It was noted that Innovations was working on a policy to deal with such investments for the future.

M.P.K.
INTRODUCTION

1. The Council will recall that the Burlington Danes Project is a strategic development to create an innovative translational clinical research facility at Imperial. This would position the College alongside rival institutions with similar interactions across these interfaces, and at the forefront of UK biomedical and clinical research.

2. Burlington Danes is the only realistic opportunity to expand or consolidate activity at the Hammersmith Campus (which is home to about 40% of the Faculty of Medicine’s research activity as a whole). It is therefore integral to the Faculty of Medicine and Imperial’s research strategy. It is also an important development for the Hammersmith Hospital, which is unique as a ‘research’ hospital receiving the highest amount of NHS R&D funding in the UK. Hammersmith’s position is under threat from the NHS, particularly through the potential loss of NHS R&D funding. The Burlington Danes development would enhance both the Hospital’s and Imperial’s clinical science position to ameliorate this risk.

3. In February of this year the Council received a presentation on the Project. At that time the Project had an estimated cost of £113M and the College was seeking to identify an external development partner to meet the identified funding shortfall of £40M. It has not been possible to identify an appropriate partner to meet that portion of the overall costs and the Project has consequently been scaled down since then.

THE BURLINGTON DANES PROJECT

4. The aim of the Project is to build a new facility on the Burlington Danes School site immediately adjacent to Hammersmith Hospital, which would allow for crucial developments in key strategic research activities at the Campus (characterised by their potential for rapid transition to clinical translation), such as Imaging, Clinical Genetics and Stem Cell Research. The facility will also re-provide currently inadequate Central Biomedical Services (CBS) facilities for the Hammersmith Campus, enabling the service to provide the support necessary for modern investigations of pathogenesis and the treatment of human diseases. The development of these facilities has been reviewed and supported by the MRC, who will provide a substantial capital component to the building development.

5. The Hammersmith Hospital and Imperial College are recognised international leaders in the field of Imaging, enabling non-invasive visualisation of processes involving disease and monitoring the impact of treatment in man. In order to remain at the forefront of this infrastructure-intensive and technologically demanding field, Imperial and the Trust have established a collaborative partnership with GlaxoSmithKline (GSK) whereby the company will sub-lease a portion of the Burlington Danes facility to establish an Imaging Centre. The Centre will facilitate important interactions with our own researchers, and will draw on the patient base and specialist clinical support of the Trust. GSK involvement in the development is key to its success, potentially providing major benefits such as critical libraries of compounds and essential know-how to take forward this important area of
healthcare science. This collaboration would be lost if the Burlington Danes Development was not successful.

6. The Burlington Danes development will also provide scope for the establishment of a Clinical Genetics Unit to study novel diagnostics for patients with single gene disorders and identification of genetic components of multi-gene disorders and cancer. The unit's work will complement and inform clinical facility developments in NW London. The development of this new facility will also allow major research strengths at the Hammersmith Campus in neonatology, maternal health, haematology and oncology to make use of new, state-of-the art stem cell research facilities, which cannot be accommodated within the existing constraints of the Campus.

7. Without this investment, the innovative research in the above disciplines, which the Faculty is uniquely positioned to take forward, will stagnate, and opportunities for important academic and clinical advances will be missed.

8. In order to secure external funding of £34.3M from GSK and the MRC the College must commit to completion of the proposed facility by March 2006. In order to meet this completion deadline, the Project must be approved by the Council at this meeting.

PROGRESS TO DATE

9. The College concluded a Building Agreement for Lease with the Hammersmith Hospital Special Trustees on 31 October 2003. This agreement is conditional on completion of an Agreement for Underlease between Imperial College and GSK.

10. The Project design has been developed in considerable detail and a new planning application was submitted to the Planning Authorities on October 6 for determination in January 2004.

11. A risk management workshop by the Design Team assessed the average risk to cost and programme at the end of Stage C at £3.166M, which is within the Project contingency fund of £3.172M. This is without recourse to Imperial’s client reserve of £100k.

12. GSK has agreed to recognise its proportion of the risk. The risk to be borne by Imperial will be covered by the Hammersmith Endowment Fund, which has approved expenditure up to a total of £2M for this Project, should this be required.

13. Imperial College’s share of the design costs for the earlier £113M scheme was £1.532M (net of VAT which will be recoverable through the SPV). Imperial’s share of costs since the Executive Committee endorsed the £60M scheme in June, has been £665,675 (41.6% of the total). Again, this is net of VAT.

FUNDING

14. The following costs and external partners have been identified:

<table>
<thead>
<tr>
<th>External Funding</th>
<th>£000s</th>
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</thead>
<tbody>
<tr>
<td>GSK</td>
<td>24,876</td>
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<tr>
<td>MRC</td>
<td>9,440</td>
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College Funding (see paragraph 8 above)

<table>
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<tr>
<th>Description</th>
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<tr>
<td>HEFCE (SRIF 2)</td>
<td>13,500</td>
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<tr>
<td>College 10% contribution to SRIF 2</td>
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<tr>
<td>College contribution from Capital Plan</td>
<td>5,816</td>
</tr>
<tr>
<td><strong>Total Project Cost</strong></td>
<td><strong>55,132</strong></td>
</tr>
</tbody>
</table>

**PROPOSAL**

15. This Project proposal was considered by the Executive Committee on 28 November and by the Finance Committee on 1 December. Both have recommended it for approval. The Council therefore is asked to consider and, if it sees fit, approve the Burlington Danes Project with a total project cost of £55.132M of which the College contribution will be £20.816M (including £13.5M of SRIF 2 funding from the HEFCE), subject to final agreements being in place with the College’s external sponsors/partners.

D.B.W.

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4. An application has been made to the HEFCE to substitute Burlington Danes for the previous SRIF 2 application in respect of Charing Cross.
INTRODUCTION

1. The HEFCE have awarded the College a grant of £49.3M in order to progress the projects listed at Annex A. (A separate paper has been presented to cover the £13.5M relating to the Burlington Danes Scheme). A condition of the grant is that the Projects are completed by March 2006. In order for this to happen, approval to proceed with them needs to be obtained now.

2. The HEFCE intend that funding should be drawn down between March 2004 and March 2006. They have also given permission for the early draw down of funds prior to March 2004. Due to the magnitude of some of the Projects involved and the extent of preplanning, decanting and early design work necessary to achieve completion by March 2006, it is imperative that the College commence appointments as early as possible. Once design teams and contractors have been instructed, the College will need to ensure that the work is conducted in a continuous manner unhindered, as far as is possible, by the need to authorise funding in phases. This will allow the College to utilise the most appropriate procurement methods on a project-by-project basis, taking advantage of commercial opportunities arising from creating the most appropriate work packages.

3. Outline schemes for the Projects have been costed and submitted to the HEFCE. The HEFCE have approved all of them and given permission for the draw down of funds before the official start date of April 2004.

THE PROJECTS

4. The outline cases for each Project are included in Annex A. The total costs and the required College contribution for each Project are set out in Annex B.

PROPOSAL

5. These Projects were included in the Capital Investment Plan which the Council approved at its July Meeting. Since then, they have been further considered by the Executive Committee on 28 November and by the Finance Committee on 1 December. Both have recommended that they be approved. The Council is therefore asked to consider and, if it sees fit, approve the SRIF 2 Projects with a total expenditure of £55.523M, including a College contribution of £6.205M.

D.B.W.
OUTLINE CASES FOR SRIF II PROJECTS

T 3 MODERNISATION OF DEPARTMENTAL TECHNICAL RESOURCES, MOLECULAR SCIENCE

1. The project will involve the creation of a centralised research support facility, with state of the art equipment, for the Department of Chemistry. This is needed because much of the central analytical resources currently available for chemistry research are over 15 years old, some of the research equipment is no longer functional, and much of the space in which it is housed is in urgent need of repair. Indeed, the technical resources are unreliable and inefficient, do not have commercially available spares, and produce data that cannot be accessed via the web. In essence, the facilities do not meet the needs of modern research.

2. Significantly, chemistry research is critically dependent upon a number of core technical resources to analyse the structure and properties of the novel compounds molecular science. Importantly, the realisation of breakthrough innovations is a key driver of Imperial’s research strategy. Furthermore, in the College’s Estates Strategy, it is recognised that improved quality can only be obtained by replacing such obsolete equipment and facilities. The procurement of modern research equipment will also free-up laboratory areas and therefore improve the overall utilisation of space.

3. The purchase of sophisticated equipment, along with the refurbishment of laboratories to store it, will allow the Chemistry Department to fully exploit their research strengths; another key driver of Imperial’s research strategy. It will also provide for the needs of collaborators in other disciplinary areas of the College and foster the growth of research in, for example, catalysis and sustainable technologies (areas of enormous funding potential), which have been identified by the Chemistry Department as areas for particular emphasis in their strategic research plan.

T 5 INFRASTRUCTURAL INVESTMENT IN PHYSICS (1 AND 2)

4. The project involves the creation of dedicated laboratories in the Blackett Building, of which the Physics Department occupies the most space, to support Biomedical Imaging activities. It will also refurbish existing laboratories for solid state physics. This is necessary because, whilst the Blackett building was prestigious when built around 1960, many laboratories are now in a poor state of repair. Indeed, systematic under-investment has allowed the steady deterioration of its infrastructure. Limited upgrades have been achieved since 2000, but the areas have been minimally refurbished and to varying standards.

5. The Physics Department is focusing on upgrading the research laboratories, as these directly underpin the department’s 5* research quality. Currently, the paucity of space, ineffective electrical services and poor ventilation are adversely affecting the capacity for carrying out Physics-related research. The refurbishment will help the Department improve on its research strength and, in doing so, help Imperial to retain its reputation as a centre of research excellence. It will also help the Physics Department to harness interdisciplinary strengths in, for example, molecular electronic devices, solar energy and display technologies (which attract strong commercial interest).

T 7 MATHEMATICAL SCIENCES INSTITUTE - REFURBISHING AND EQUIPPING
6. The College has undertaken to establish an international centre to foster the application of mathematics to the solution, and further understanding, of emerging global problems and societal needs. A primary driver for this comes from the fact that Imperial contains one of only two 5* rated groups in Pure/ Applied Mathematics in the UK. With such strengths, the creation of a major mathematical research centre is long overdue.

7. SRIF money will be used to cover the costs of refurbishing 52-53 Princes Gate (where the Institute will be housed when it is vacated by the Business School in 2004) and IT provision. This refurbishment is consistent with the Estates Strategy of renewing buildings for appropriate use as they become vacant. Mathematics is currently housed in the Huxley building, which is very overcrowded and in a poor condition. Opening the Institute will therefore take some of the space pressure off the Mathematics Department in Huxley and create a research area with a good service infrastructure and quality facilities.

8. Importantly, the Institute’s research will be inter-disciplinary in nature, being driven by problems arising in all of the College’s constituent Faculties; possible themes include financial mathematics, climate change, disease spread/ control and engineering of new materials. Much of this research would be impossible without a firm mathematical basis. The Institute will therefore underpin science, engineering and bio/medical research throughout the College. Significantly, the funding councils see such inter-disciplinary research as vital to progress in all of these areas.

T 8/9 UPGRAWD THE E-SCIENCE INFRASTRUCTURE AND ORGANISATION AT IMPERIAL – SPACE AND ENHANCE EXISTING RESOURCES, WIDEN HPC PARTICIPATION, COMBINED ICT/ E-SCIENCE BID

9. Money is being sought from the SRIF to develop space on the 4th Floor of the Mechanical Engineering building for the Division of Information and Communication Technologies (ICT), the London e-science team (and their researchers) and to help cover the procurement of new high throughput computing (HPC) hardware. It will help to provide appropriate computer room space for ICT to house the College’s HPC activity.

10. The project will improve and redevelop the internal fabric of the 4th floor and provide a high quality supporting infrastructure (new machine room space, power etc.) for ICT and e-science research. It will allow sections of ICT to relocate into more consolidated and contiguous space to be able to more readily work together to support the research needs of the College. It will also ensure that they can more appropriately support the specific HPC and other computational needs of the College’s research workers. Furthermore, the project will create a focal point for a College-wide e-science activity and ease pressure on the Department of Computing, as some of the space currently occupied by the London e-science team will be relinquished for them. The whole project will add resilience to the College’s disaster recovery provision.

11. This is an important project for the College because the provision of high-level computational support for practising scientists is seen as the key future underlying technology for research by all of the UK’s Research Councils and the Joint Information Systems Committee (JISC). The creation of a high-quality computer suite will enhance the existing resources available to scientists at Imperial and, significantly, ensure that College researchers will be able to stay competitive with their fellow scientists elsewhere. It will also allow Imperial to have a central role in the developing e-Science programme and the national and international computational grid developments. Access to the high performance clusters would be open to all College workers, subject to an allocation review by a management committee, and therefore each disciplinary area would be able to take advantage of this vital resource. New users of HPC would also be able to investigate the applicability of such techniques for their work.
T 12  UPGRADING ICT INFRASTRUCTURE AT IMPERIAL – COLLEGE MIS HARDWARE

12. In 2000, the College embarked upon a major implementation of an integrated solution for its corporate system needs. Phase 2 of this programme includes the introduction of a research grants administration system (Oracle Grants). This new system will be central to the College’s research activities. At present, research income accounts for some 40% (approximately £150m p.a.) of the annual income enjoyed by the College and the proper management and administration of this income is essential. Currently, significant research income is being missed or delayed. The new grants administration system will improve the administering of research grants and therefore help the College to derive maximum benefit and growth from its research activities – a key feature of the College’s Strategic Plan.

13. The College’s current hardware infrastructure is insufficient to support the needs of this corporate research system. SRIF money is therefore sought to upgrade and improve the infrastructure, so that the new system will be adequately supported. The hardware will improve the resilience of the system and ensure that there is continuity of support for the research activity of the College.

T 14/17 REPLACEMENT OF MAGNETIC RESONANCE EQUIPMENT, HAMMERSMITH CAMPUS

14. This project will procure magnetic resonance equipment for the Magnetic Resonance Imaging (MRI) Unit at the Hammersmith Campus. The MRI Unit has a strong track record of MR research since the 1980s. In the past 5 years alone, over 500 peer-reviewed papers have been produced. However, because of this history, the Unit now has obsolete equipment that cannot provide the functionality, reliability or efficiency needed for modern research. The old systems have high maintenance costs and were built in conjunction with a manufacturer that no longer exists. As a result, equipment servicing is dependent on in-house technician skills and is vulnerable to the loss of key personnel; valuable research capacity is invariably wasted on routine upkeep. New equipment is therefore essential if the Unit is to maintain its MRI research success. It will also allow the Unit to integrate with research from the JIF-funded Biological Imaging Centre, allowing the transition from animal studies to human investigation.

15. The new equipment will replace scanners manufactured by Marconi Medical Systems. At present, one scanner is fifteen years old and the other is a prototype developed by Marconi specifically for Imperial College. Marconi Medical has since been taken over and it is increasingly difficult to obtain the legacy parts needed to maintain the scanners. It is only a matter of time before an unrecoverable breakdown occurs.

T 16 BIOBANK/ GENETIC EPIDEMIOLOGY FACILITY

16. The UK Biobank Project will be the world’s biggest study of the role of nature and nurture in health and disease. Up to half a million participants aged between 45 and 69 years will be involved in the study. They will be asked to contribute a blood sample, lifestyle details and their medical histories to create a national database of unprecedented size. Many disorders, including cancer, heart disease, diabetes and Alzheimer’s disease are caused by complex interactions between genes, environment and lifestyle. Researchers will use the UK Biobank resource to uncover the genetic and environmental determinants of these common diseases. This combination of information received from participants will create a powerful resource for biomedical researchers. It will enable them to improve our understanding of the biology of disease and develop improved diagnostic tools, prevention strategies and tailor made treatments for disorders that appear in later life.
17. The UK Biobank resource will be centrally managed from a Coordinating Centre, (Hub), that will have overall responsibility for delivering the project, including data management and quality assurance, computing and financial management and formal custodianship of the data and biological samples. It will also coordinate the activities of several Regional Centres (Spokes) who will be responsible for participant recruitment and initial data and sample collection. A suitable site for the West London Spoke facility, to be operated by the College, exists on the Northwick Park campus. SRIF money will be used to help establish the Biobank/ genetic epidemiology facility at the Campus. Existing NHS space will be refurbished to deliver quality research and support facilities for the West London Spoke/ genetic epidemiology. Appropriate space for housing the necessary equipment for the Biobank Project will be created.

T 19 ESSENTIAL MAINTENANCE; VENTILATION HAEMATOLOGY RESEARCH LABORATORIES, HAMMERSMITH CAMPUS

18. The 13 storey high Commonwealth Building at the Hammersmith Campus was built in the early 1960s. Over time, there has been a serious deterioration in the quality of the accommodation/ service infrastructure and urgent attention is now needed to bring it up to the standards required for modern molecular and cellular research. The project aims to refurbish two floors of the tower building (4th and 5th) and install a new base plant and services infrastructure, to enable future phased refurbishment.

19. As a result of concerns about the inadequacy of the current heating, ventilation and piped water systems, and the inability of such systems to cope with the increasing demands of research activity, Estates commissioned a feasibility study in February 2001, as part of their Services Strategy. Cain Consulting Engineers recommended that existing systems should be replaced by a new HVAC system and advised that such a strategy could generate efficiency gains. Unfortunately, at the time, insufficient funds prevented the scheme from being realised, but the need is still urgent and the situation is now more acute, as the demands of new additional research equipment and facilities are placing intolerable demands on the building’s systems.

20. Despite the current drawbacks of the Commonwealth building, it currently houses internationally renowned research on, amongst other things, infectious diseases, immunology and haematology. The research spans 3 Divisions and includes a number of collaborative ventures. The described refurbishments are therefore essential if these Divisions are to maintain their inter-disciplinary strengths and if the College is to retain its position as a centre of medical research excellence.
T 21 COMPLETION OF REJUVENATION OF THE BIOCHEMISTRY BUILDING

21. The Biochemistry building has two constituent parts:

   a. The Wolfson Laboratories, comprising 8 floors, which were constructed in the early 1960s.

   b. The Link Building, which has 7 floors that were built on the south face of the biochemistry building, adjoining chemistry, in the early 1980s.

22. Scientific activities in the Wolfson Laboratories have been constrained by its internal architecture, a legacy of the compartmentalised, low-technology nature of 1960s biochemistry, and by its lack of an appropriate service infrastructure, including air handling. In contrast, modern biochemistry flourishes in a collaborative, inter-disciplinary environment and is increasingly dependent on sophisticated technology, which demands a specialist infrastructure. Likewise, the Link Building was designed for biotechnological activities in the 1980s and, as such, does not have the air handling, containment and IT infrastructure for 21st century biological sciences research.

23. SRIF money will be used to complete the modernisation of the Biochemistry building (past works were funded through previous SRIF and JIF rounds), to create an entire building of quality to match the international research standing of the Biochemistry Department.

24. Level 5 of the Biochemistry Building (Wolfson Laboratories and Link) will be refurbished. This area currently houses molecular cell biology research in very cramped and poorly ventilated conditions. Similar problems are experienced in Level 7, which is also to be refurbished. Level 6 of the Link Building will be renewed, which will improve the utilisation of research space, in line with the College’s Estates Strategy. It is hoped that the refurbishment of this area will also ease overcrowding in the adjacent parasitology laboratories.

T 22 CROSS FACULTY CENTRE FOR NMR

25. Nuclear Magnetic Resonance (NMR) is unique in its ability to study molecular composition, structure, conformation, dynamics and interactions. Over recent years, there has been consistent growth in technical and methodological breakthroughs in NMR and it now provides unprecedented insight into fundamental processes in medicine, biology, chemistry and materials; all of which are central research areas at Imperial.

26. The College proposes to establish a dedicated cross-faculty research centre for NMR that will incorporate new high specification NMR instrumentation. Imperial already has an outstanding reputation in applying NMR spectroscopy; examples of such work are distributed across all the constituent faculties. However, being able to fully exploit NMR in the Centre will create entirely new technological and biomedical research opportunities for the College. Indeed, it is hoped that the Centre will serve as a focus for collaborations and provide a bridge between diverse academic disciplines. A steering committee, composed of representatives from all Faculties, will ensure that College-wide research opportunities are realised. Furthermore, the Centre will offer a springboard towards future European-scale bids for the next generation of NMR technology, by enabling the College to compete with current large-scale European facilities in Utrecht, Frankfurt and Florence.
27. The Project will involve the refurbishment of part of the RCS1 building and provide new lab and computing space. New high specification NMR instrumentation will be procured. The works would transform the area into a world-class research facility. Internationally competitive NMR requires a high capital investment and SRIF2 is currently the only mechanism for such infrastructure funding. Notably, all other NMR developments at UK Universities have been funded through SRIF 1 and JIF.

T 23 INSTITUTE OF BIOMEDICAL ENGINEERING

28. Because bioengineering has undergone rapid expansion in the past decade, there are now some significant problems in terms of accommodation and, therefore, the ability to support and develop bioengineering research. Bioengineering has steadily developed at Imperial College over many years and it functions in very limited space. Now, with the interactions with the Faculty of Medicine, the pace of development has suddenly accelerated and the present facilities are proving grossly inadequate. A recent detailed study of space requirements recommended that approximately 3,000 m² more space was needed for biomedical engineering activities. Consequently, it has been proposed that a new Institute of Biomedical Engineering should be created in the Bessemer Building, within the Royal School of Mines (RSM) complex of buildings, to provide new space for biomedical engineering research and laboratories. The project will refurbish an existing part of the building to provide laboratory space and support facilities.

29. The need for more space is even more essential given the fact that biomedical engineering has been identified, in the UK and internationally, as one of the main growth areas for research.

T 24/25 MATERIALS AND EARTH SCIENCES AND ENGINEERING

30. The project will refurbish existing accommodation within the RSM complex (Bessemer, Aston-Webb and Goldsmiths) to allow the relocation of materials, and earth science and engineering (ESE), from dispersed locations throughout the RSM, to more consolidated and contiguous space.

31. At present, the split of materials research between Bessemer and Goldsmith's is far from ideal for its continued development. The refurbished area will act to enhance the research capability. Importantly, the research themes involved in the project, including materials modelling, materials for the environment and biomaterials, are consistent with the College's strategic aims and with the Faculty/ Departmental Research Strategy. Furthermore, these areas attract a significant amount of funding from industry, EC sources and others. The refurbished area will provide unique facilities for materials research in the UK and, hopefully, will attract funding from global sources, including EPSRC, DTI, EC, Ford and more.

32. Likewise, the consolidation of ESE into refurbished floors will provide greatly improved research space. The current accommodation is not fit for purpose and the building's state impacts negatively on staff recruitment and the ability to secure research contracts. Furthermore, dispersal throughout the RSM causes problems of collaboration and identity. Refurbishing a discrete area would make a major contribution to overcoming these problems.

33. Importantly, the refurbishment of existing RSM space is consistent with Imperial’s RSM Development Strategy and Estate’s Strategy; improving the long-term sustainability of the College’s infrastructure. It will also allow the creation of a contiguous new Institute of Biomedical Engineering in the Bessemer Building (see T 23) and improve the general utilisation of RSM space.

T 29/30/31 ESTATES INFRASTRUCTURE PROJECTS
34. **Primary Electrical Distribution System.** SRIF money will be used to complete the electrical works commenced under SRIF 1. This will allow greater resilience of supply and will ensure that the system is better able to cope with the increased research activity imposed on the College network.
### TOTAL COST AND REQUIRED COLLEGE CONTRIBUTION

<table>
<thead>
<tr>
<th>PROJECT TITLE</th>
<th>Total Cost (inc VAT) £</th>
<th>COLLEGE CONTRIBUTION £</th>
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<tbody>
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<td>T 3 - Modernisation of Departmental Technical Resources, molecular science</td>
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<tr>
<td>T 5 – Infrastructure Investment in Physics (1 &amp; 2)</td>
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<td>T 7 – Mathematical Sciences Institute - refurbishing and equipping 52-53 Princes Gate</td>
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<td>T 8/9 – Upgrading the e-science infrastructure and organisation at Imperial</td>
<td>6,000,000</td>
<td>600,000</td>
</tr>
<tr>
<td>T 10 – Upgrading the ICT infrastructure at Imperial – College MIS hardware.</td>
<td>500,000</td>
<td>50,000</td>
</tr>
<tr>
<td>T 12 – Replacing magnetic resonance equipment, Hammersmith Campus</td>
<td>2,705,000</td>
<td>College contribution: 200,000 Other external funds: (5) 750,000</td>
</tr>
<tr>
<td>T 16 – Biobank/ genetic epidemiology</td>
<td>300,000</td>
<td>30,000</td>
</tr>
<tr>
<td>T 18 – Further refurbishment of the main Medical School Building, St Mary’s Campus</td>
<td>1,120,000</td>
<td>112,000</td>
</tr>
<tr>
<td>T 19 – Essential maintenance; ventilation Haematology research laboratories, Hammersmith Campus</td>
<td>3,000,000</td>
<td>Phase 1: 300,000 up to 2006</td>
</tr>
<tr>
<td>T 21 – Completion of rejuvenation of the Biochemistry building</td>
<td>8,459,000</td>
<td>845,900</td>
</tr>
<tr>
<td>T 22 – Cross faculty centre for NMR</td>
<td>5,120,000</td>
<td>512,000</td>
</tr>
<tr>
<td>T 23 – Institute of Biomedical Engineering</td>
<td>12,000,000</td>
<td>1,200,000</td>
</tr>
<tr>
<td>T 24/25 – Materials and Earth Sciences and Engineering</td>
<td>7,000,000</td>
<td>700,000</td>
</tr>
<tr>
<td>T 29/30/31 – Estates Infrastructure Projects</td>
<td>1,540,460</td>
<td>College contribution 172,274</td>
</tr>
<tr>
<td>TOTAL</td>
<td><strong>55,522,720</strong></td>
<td><strong>6,205,000</strong></td>
</tr>
</tbody>
</table>

---

5. External source to fund the remaining costs of £705,000 i.e installation of the equipment. Cost estimate for this has been based on a turn-key installation. Progress has been made on identifying the external sources.
**PAPER M**

**APPROVAL OF CAPITAL PROJECTS AND MAJOR PURCHASES AND DISPOSALS**

A Note by the Clerk

**INTRODUCTION**

1. At present, all purchases, disposals or projects with a value in excess of £1M must have the prior approval of the Council before they can proceed. We have been unable to establish when this limit was first set by Imperial’s former Governing Body, but it was well over 10 years ago. It is currently enshrined in the College’s *Financial Regulations* (Regulation B1) and in the *Regulations on Reserved Areas of Business and the Delegation of Powers of the Council* (Regulation A12).

2. The College is now a much larger organisation than when this limit was set and many capital projects and disposals are now likely to have a value in excess of £1M. Furthermore, with the introduction of SRIF funding in recent years, the number and scale of capital projects undertaken by the College has very greatly increased. Ten years ago the College’s annual capital expenditure was just £7.7M: this year it is expected to exceed £70M, that is, there has been an almost tenfold increase in the last decade.

3. Given both the increasing cost of individual projects, and the total number of projects undertaken, it would seem sensible to reconsider the limits of authority to determine whether the level above which Council approval is required before a project can commence, or purchases and disposals take place, is still appropriate to the College’s needs.

4. The purpose of this Paper is to propose an increase of the threshold at which projects need to be submitted to the Council for approval to £5M. This proposal is predicated on the current robust approach to the development of the Capital Investment Plan and upon continued reporting of progress against that Plan to the Council via the Finance Committee.

**THE CURRENT POSITION**

5. In the last three years, the College has approved 31 projects and/or disposals with a total value of £154.83M. Of these, 18 (or 58%) each had a value of less than £5M. The total value of these smaller projects was £34.8M (or 22% of the total value of all 31 transactions). A breakdown of the projects and/or disposals approved during this period is attached at Annex A. Many of these smaller projects were refurbishments of academic areas funded through the SRIF initiative. Others, such as Burlington Danes, cover the preliminary design, quantity surveying and feasibility costs for much larger projects, which are necessary to see if the project is viable.

6. The Strategic Plan also includes a number of projects which have yet to be formally approved. These are primarily those which it is anticipated will be funded with SRIF II funding and include the Burlington Danes Project. There are 16 such projects with a total value of £150.1M. Of these, 9 (56%) are under £5M and their total value is £17M (11% of the total value of all projects in this category). A breakdown of these forthcoming projects is attached at Annex B.
7. Once a project has been approved by the Council, any minor changes to it that lead to an increase in its overall cost must also be approved by the Council, no matter how small the variation. Recent examples of such changes include the additional contingency of £400K for the MDRB (2% of the original budget of £16.7M), the increase of £1.5M for the Tanaka Business School (6% of the original budget), additional expenditure of £500K for the Bernard Sunley Hall refurbishment (14% of the original budget), additional expenditure of £1.17M on the preliminary works required for the Burlington Danes Project (75% of the initial expenditure approved by the Council) and an extra £258K for the College Entrance Project (23% of the original budget).

PROPOSALS

8. As the analysis above shows, the majority of the projects below £5M are primarily refurbishments of existing academic areas. They are therefore unlikely to expose the College to significant business risks. The major capital projects are all over £5M and, if an increased limit of up to £5M were to be agreed, would still be subject to scrutiny and approval by the Finance Committee and, ultimately, the Council. Furthermore, all capital projects have to be included in the Capital Investment Plan and are subject to approval in principle by the Council. However, it is recognised that there may be occasions where capital expenditure requirements may arise outside the approved Capital Investment Plan. Therefore specific arrangements are also required for the following:

a. The approval of expenditure on complete projects which have not been sanctioned by the Council in the Capital Investment Plan, and

b. The approval of expenditure for design work on major projects, prior to sanction by the Council, in order to achieve greater cost certainty. The key risk here is that if any such project does not come to fruition, the costs associated with the work must be written off and cannot be capitalised. This could impact significantly on the College’s operating result.

9. It is therefore proposed that:

a. For projects which have been approved in principle by the Council through the Capital Investment Plan, the Council should increase the limit above which its specific approval is required from £1M to £5M.

b. Final approval for those projects with a value of less than £5M, which have been included in the Capital Plan and approved in principle by the Council, should be delegated to the Rector, as advised by the Management Board.

c. Council should delegate authority to the Finance Committee to approve expenditure in excess of £1M where such expenditure is required either to enable a project which has not yet been sanctioned by the Council to be completed, or for the development work on a project to be carried out prior to its inclusion in the Capital Investment Plan. Where such expenditure will be in excess of £5M Council approval will be sought.

10. For the avoidance of doubt, this proposal is based on the present checks and balances on expenditure remaining in place and specifically, that total budgets will be monitored and not exceeded; that the systems whereby the Management Board and the Finance Committee monitor and control expenditure continue to meet current standards; and that the process by which the Capital Investment Plan is developed, approved and
monitored remains as rigorous as at present.

11. If accepted by the Council, this increased limit would have to be reflected in the Financial Regulations, in the Regulations on Reserved Areas of Business and the Delegation of Powers of the Council, and in the Finance Committee’s own Terms of Reference:

   a. Paragraph 93 of the Financial Regulations, which deals with Land and Buildings would need to be amended as follows:

   “93. Where it has been previously notified to the Council, the purchase or disposal of land or buildings (or of any interest therein), whether by the College or by any subsidiary company, shall be authorised by the Rector or arranged under guidance provided by him. Purchases or disposals exceeding £5M in value must have the prior approval of the Council. Where expenditure exceeding £1M is required on a project which has not previously been approved by the Council, it must have the prior approval of the Council’s Finance Committee.”

   b. Paragraph 2(2)(d) of the Regulations on Reserved Areas of Business and the Delegation of Powers of the Council would have to be amended as follows:

   “2(2) Pursuant to Statute 4(6), the Council has determined that the following matters may not be delegated to its committees or its officers except by resolution of the Council:

   …

   (d) Final approval of purchases or disposals of assets, land or buildings exceeding £5M in value.”

   c. Paragraph (v) of the Finance Committee’s Terms of Reference has to be amended as follows:

   “(v) To consider proposals for major capital projects estimated to cost in excess of an agreed amount (currently £5M) and to make recommendations to Council and, under delegated authority from Council, to consider and approve proposals for expenditure in excess of an agreed amount (currently £1M) on projects which have not previously been notified to the Council.”

12. Finally, in order to prevent projects having to be re-presented to the Council every time a relatively minor change to the specifications leads to an increase in overall cost, it is also proposed that, unless the project cost approved by the Council is exceeded by 10% (whether this is a single increase or the aggregation of two or more smaller increases), approval of such variations should be delegated to the Rector as advised by the Management Board. This delegation of approval would only apply to project changes and not to variations between the initial cost estimates and the receipt of firm tenders. Any change to a project that results in an increase of more than 10% would have to be approved by the Finance Committee and the Council in the normal manner.

ACTION REQUIRED

13. The Finance Committee considered the proposals outlined at Paragraphs 9 and 11 above and has recommended that Council approve them. Council is therefore asked, if it sees fit, to approve these proposals and the associated amendments to the Financial
Council 226
12th December 2003

*Regulations (Regulation B1), to the Regulations on Reserved Areas of Business and the Delegation of Powers of the Council (Regulation A12) and to the Finance Committee’s Terms of Reference.*

K.A.M.
# PROJECTS AND DISPOSALS APPROVED BY THE COUNCIL
## IN THE PERIOD 2000-01 – 2002-03

<table>
<thead>
<tr>
<th>Project and/or Disposal</th>
<th>Amount</th>
<th>Under £5M</th>
<th>Notes</th>
</tr>
</thead>
<tbody>
<tr>
<td>Tanaka Business School</td>
<td>£25,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Seminar and Learning Centre</td>
<td>£1,420,000</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>MDRB increase to contingency</td>
<td>£400,000</td>
<td></td>
<td>Total project cost in excess of £1M</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Beit additional expenditure and increased contingency</td>
<td>£2,100,000</td>
<td></td>
<td>Total project cost in excess of £1M</td>
</tr>
<tr>
<td>Sale of Olave House for not less than £2M</td>
<td>£2,000,000</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>Engineering Research Workshop</td>
<td>£3,800,000</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>Hydrodynamics Laboratory Refurbishment</td>
<td>£223,000</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>Biochemistry Building Infrastructure</td>
<td>£13,400,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Chemistry 1 Laboratory Refurbishments</td>
<td>£5,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Physics Projects</td>
<td>£6,050,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>St Mary’s Research Building Development</td>
<td>£15,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>E-Science Centre</td>
<td>£3,000,000</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>ICIS Upgrade</td>
<td>£1,250,000</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>20 MVA Power Supply</td>
<td>£6,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Primary Electrical Distribution</td>
<td>£3,300,000</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>Refurbishment of Central Library</td>
<td>£1,600,000</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>Innovative Chemical Manufacturing</td>
<td>£5,000,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Faculty Building</td>
<td>£14,350,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Materials Processing</td>
<td>£2,800,000</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>Aston Webb Refurbishment</td>
<td>£8,500,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Increase to Tanaka Business School</td>
<td>£1,500,000</td>
<td></td>
<td>Total project cost in excess of £1M</td>
</tr>
<tr>
<td>Bernstein Sunley Hall</td>
<td>£3,500,000</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>Bernstein Sunley Hall additional expenditure</td>
<td>£500,000</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>Sale of Cobham Sports Ground</td>
<td>£3,500,000</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>Burlington Danes Preliminary costs</td>
<td>£1,555,000</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>Burlington Danes additional expenditure</td>
<td>£1,170,000</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>RAMP IT Systems</td>
<td>£1,980,000</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>College Entrance</td>
<td>£1,100,000</td>
<td>*</td>
<td></td>
</tr>
<tr>
<td>College Entrance additional expenditure</td>
<td>£258,000</td>
<td></td>
<td>*</td>
</tr>
<tr>
<td>Sports Centre</td>
<td>£17,730,000</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sale of Turbogenset Shares</td>
<td>£1,845,000</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Total costs **£154,831,000**

Total costs for projects < £5M **£34,801,000**
### Annex B

**PROJECTS INCLUDED IN THE STRATEGIC PLAN BUT NOT YET FORMALLY APPROVED BY THE COUNCIL**

<table>
<thead>
<tr>
<th>Purchase/ Disposal/ Project</th>
<th>Amount</th>
<th>Under £5M</th>
</tr>
</thead>
<tbody>
<tr>
<td>Molecular Science (SRIF II)</td>
<td>£2,188,000</td>
<td>*</td>
</tr>
<tr>
<td>Physics infrastructure (SRIF II)</td>
<td>£2,245,000</td>
<td>*</td>
</tr>
<tr>
<td>Mathematical Sciences Institute (SRIF II)</td>
<td>£3,345,000</td>
<td>*</td>
</tr>
<tr>
<td>E-Science infrastructure (SRIF II)</td>
<td>£6,000,000</td>
<td></td>
</tr>
<tr>
<td>ICT infrastructure (SRIF II)</td>
<td>£500,000</td>
<td>*</td>
</tr>
<tr>
<td>CBS and Laboratory Facilities (SRIF II)</td>
<td>£29,545,000</td>
<td></td>
</tr>
<tr>
<td>Magnetic Resonance Equipment (SRIF II)</td>
<td>£2,705,000</td>
<td>*</td>
</tr>
<tr>
<td>Biobank (SRIF II)</td>
<td>£300,000</td>
<td>*</td>
</tr>
<tr>
<td>St Marys (SRIF II)</td>
<td>£1,120,000</td>
<td>*</td>
</tr>
<tr>
<td>Haematology Research (SRIF II)</td>
<td>£3,000,000</td>
<td>*</td>
</tr>
<tr>
<td>Biochemistry (SRIF II)</td>
<td>£8,459,000</td>
<td></td>
</tr>
<tr>
<td>NMR (SRIF II)</td>
<td>£5,120,000</td>
<td></td>
</tr>
<tr>
<td>Biomedical Engineering (SRIF II)</td>
<td>£12,000,000</td>
<td></td>
</tr>
<tr>
<td>Materials and Earth Sciences (SRIF II)</td>
<td>£7,000,000</td>
<td></td>
</tr>
<tr>
<td>Estates infrastructure (SRIF II)</td>
<td>£1,540,000</td>
<td>*</td>
</tr>
<tr>
<td>Burlington Danes</td>
<td>£65,000,000</td>
<td></td>
</tr>
<tr>
<td><strong>Total Costs</strong></td>
<td><strong>£150,067,000</strong></td>
<td></td>
</tr>
<tr>
<td><strong>Total costs for projects &lt; £5M</strong></td>
<td><strong>£16,943,000</strong></td>
<td></td>
</tr>
</tbody>
</table>
1. In terms of the annual performance of the fund (for full details see Annex A) the invested funds achieved a return of 5.9% for the year – which was broadly in line with the benchmark. However, total endowment assets decreased by c. £3M. This was due to reclassification of donations totalling c. £2.3M that had been treated as endowments and the final balancing payment of c. £0.75M to the British Heart Foundation to complete the conversion of three Endowed Chairs into directly funded posts. Due to the decision to hold new funds in cash over the last few years it was been possible to accommodate these moves within the College managed cash element of the total investment fund.

2. The year in consideration was a particularly difficult and testing time for investment management: recession in Europe; a war; a consequent equities market collapse; volatile bond and currency markets. In the light of this background, the Investment Committee decided to conduct a root and branch analysis of the committee’s remit, role, the overall investment performance and the way forward.

3. A number of issues became clear out of this analysis:
   
   a. The overriding College requirement was reaffirmed: a 3% real return over time.
   
   b. The College portfolio has met this objective over the period 1993 – 2003 [see Table 1 below]. Through the use of external active fund managers i.e. managers who are given a performance benchmark against which their day to day investment management of College funds is measured.
   
   c. Our External fund managers have exercised their expertise almost entirely through stock selection rather than through asset allocation decisions.
   
   d. It is asset allocation rather than stock selection which mainly drives “superior” performance. This allocation is typically defined as the “benchmark” against which fund managers are judged. Although our fund mangers have discretion to vary significantly their asset allocation from the benchmark, in practice they have proved reluctant to do this. Therefore, the all-important investment decision is in effect the selection of the allocation of assets, i.e. the decision to set the components of the benchmark, which is done by the Investment Committee, not the fund manager.
   
   e. An alternative to active fund management is to adopt a passive approach relying entirely on the asset allocation decision to obtain investment performance. This can principally be done through the use of “trackers”, i.e. managers who invest purely to “track” the major indices – the FTSE 100, the Dow, the Nikkei – with no stock selection discretion. Although such a route would be cheaper, two disadvantages would be that the Investment Committee would make the asset allocation alone and there would be little scope to influence the income element of the total return.
4. The Investment Committee examined these issues at some length. Key issues were:

   a. The existing active fund management approach had achieved the College's objectives to date. There was no pressing need to change; although over the last three years Allianz had under-performed, Capital had outperformed against the set objectives [see Table 2 below].

   b. But the Committee felt that a more specific income target should be sought; and there was dissatisfaction with the Allianz performance.

   c. In addition, the realisation that active fund managers would behave in a way which laid the key asset allocation decision in the hands of the Investment Committee required the Committee to face up to this fact and manage this reality.

5. In the light of the above, the Committee reached the following conclusions:

   a. The Committee's asset allocation, which will be subject to more regular review, should for the time being be set as follows:

      UK equities    60%
      International equities 25%
      Bonds     15%

   b. A portion of the assets should be managed with an explicit income focus.

   c. Management of the funds should be as follows:

      An income focused equity portfolio 25% - UK equities – in a pooled unit trust: Charifund
      An actively managed equity fund 50% - UK / International equities split equally: Capital
      Tracker 25% - 15% in bonds; 10% in UK equities.

      The Tracker portion would be the one in which the Committee would apply in the first instance any proposed changes in the asset allocation from time to time.

   d. As part of Capital’s brief, it would be made clear to them that

      (1) The College expected advice and assistance on asset allocation.

      (2) A revised remuneration arrangement should be put in place to incentivise Capital to seek more outperformance over the benchmark.

   e. The Committee should continue to meet quarterly, to review asset allocation; it was agreed that ad hoc meetings might well be necessary in the light of the Committee’s recognition of the importance of the asset allocation decision.

6. The composition of the Committee’s membership was also discussed. It was agreed that one additional member was needed and a good candidate has been proposed; and it was agreed that Professor David Begg, Principal of the Imperial College Business School, should be asked to attend Committee meetings. It was also agreed that Simon Leathes would take over as Chairman of the Investment Committee, the Treasurer remaining as a
Table 1: College fund against benchmark and a real return of 3% over the last ten years

Table 2: Performance of College fund managers against benchmark after fees over the last three years.
INVESTMENT PERFORMANCE SUMMARY 2002/03

General Equity and Bond Portfolios 1

<table>
<thead>
<tr>
<th></th>
<th>2002/03</th>
<th>2001/02</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>£k</td>
<td>£k</td>
</tr>
<tr>
<td></td>
<td>Allianz Dres Capital</td>
<td>DRCM Capital Total</td>
</tr>
<tr>
<td>Year End market value</td>
<td>18,093 21,237 39,330</td>
<td>17,429 20,391 37,820</td>
</tr>
<tr>
<td>Income amount</td>
<td>359 389 748</td>
<td>369 569 939</td>
</tr>
<tr>
<td>Yield (annualised)</td>
<td>2.0% 1.8% 1.9%</td>
<td>2.1% 2.8% 2.5%</td>
</tr>
<tr>
<td>Capital return</td>
<td>3.8% 4.1% 4.0%</td>
<td>-17.8% -16.0% -16.8%</td>
</tr>
<tr>
<td>Total return</td>
<td>5.8% 6.0% 5.9%</td>
<td>-15.7% -13.2% -14.3%</td>
</tr>
<tr>
<td>Benchmark return</td>
<td>6.0% 5.9% 6.0%</td>
<td>-17.0% -17.4% -17.2%</td>
</tr>
<tr>
<td>FTSE All-share index</td>
<td>4.1% 4.1% 4.1%</td>
<td>-23.3% -23.3% -23.3%</td>
</tr>
</tbody>
</table>

Cash (College Managed)

<table>
<thead>
<tr>
<th></th>
<th>2002/03</th>
<th>2001/02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year End market value</td>
<td>2,609</td>
<td>5,366</td>
</tr>
<tr>
<td>Interest rate achieved %</td>
<td>4.0%</td>
<td>4.1%</td>
</tr>
<tr>
<td>Natwest Overnight rate%</td>
<td>3.5%</td>
<td>3.8%</td>
</tr>
</tbody>
</table>

Group Pension Scheme 2

<table>
<thead>
<tr>
<th></th>
<th>2002/03</th>
<th>2001/02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year End market value</td>
<td>225</td>
<td>219</td>
</tr>
<tr>
<td>Income amount</td>
<td>0</td>
<td>0</td>
</tr>
<tr>
<td>Yield (annualised)</td>
<td>0.0%</td>
<td>0.1%</td>
</tr>
<tr>
<td>Capital return</td>
<td>2.7%</td>
<td>-18.1%</td>
</tr>
<tr>
<td>Total return</td>
<td>2.7%</td>
<td>-17.9%</td>
</tr>
</tbody>
</table>

Other Investments 3

<table>
<thead>
<tr>
<th></th>
<th>2002/03</th>
<th>2001/02</th>
</tr>
</thead>
<tbody>
<tr>
<td>Year End market value</td>
<td>69</td>
<td>68</td>
</tr>
<tr>
<td>Income amount</td>
<td>3</td>
<td>4</td>
</tr>
<tr>
<td>Yield (annualised)</td>
<td>4.0%</td>
<td>3.0%</td>
</tr>
</tbody>
</table>

Notes:

1: Allianz Dresdner Asset Management (UK) Ltd were formerly known as Dresdner RCM Global Investors (UK) Ltd.

2: The group pension scheme is an In-house pension scheme which is now closed; since the investment is no longer associated with pension provision, it is now treated as a general College Current Asset Investment.

3: The COIF Charities Investment Fund is managed by CCLA Investment Management Ltd. Only the Frank Merrick Associates Trust and the Hilary Bauerman Bequest have funds which are invested in COIF.
INTRODUCTION

1. All Higher Education institutions and public sector authorities are legally obliged to have a Race Equality Policy in place in order to meet their obligations under the Race Relations Act 1976, as amended by the Race Relations (Amendment) Act 2000. The Act places a general duty on public authorities, which for this purpose includes universities, to “promote race equality”. This means that, in everything they do, these bodies should have due regard to the need to eliminate unlawful racial discrimination, promote equality of opportunity and promote good race relations between people of different racial groups. In addition to this general duty, higher education institutions must also comply with a set of specific duties. These are:
   a. To prepare a written policy on race equality.
   b. To assess the impact of the institution’s policies on ethnic minority students and staff.
   c. To monitor the recruitment and progress of ethnic minority students and staff.
   d. To set out the monitoring arrangements for publishing its written policy, impact assessments and monitoring.

2. As members will recall, in accordance with the terms of the Act the Council approved the College’s Policy on Promoting Race Equality at its meeting in May 2002. Following a review by the HEFCE of the policies produced by all universities, the College’s Policy was revised to take account of best practice across the sector. The Council approved the revised version of the Policy in July of this year.

3. In addition to the Policy on Promoting Race Equality, a number of Codes of Practice for the individual areas noted in the Policy have now been prepared and Action Plans for each Code have been devised. There are Codes relating to:
   b. Teaching, Student Services and Widening Participation.
   c. Partnerships with Business and Local Communities.
   d. Employment, Development and Staff Representation.
   e. Governance - both Council and College Committees.

4. The College has taken this approach because the Codes of Practice cover those functions most affected by the potential for discrimination and where we will see the
The Codes also define clear responsibilities of individuals and groups. The College’s Equal Opportunities and Diversity Committee, which is serviced and supported by the Human Resources Division, has overall responsibility for equality issues and, in relation to the Promoting Race Equality Policy, is responsible for monitoring the impact of the Policy and Codes and for reviewing progress on the Action Plans.

5. The Executive Committee approved the five Codes of Practice at its meeting in November and, as was confirmed to the Council in July when the revised Policy was approved, while the Council is responsible for the Policy, it is the Rector who is responsible for its implementation. For this reason the Codes of Practice, which are concerned primarily with implementation, are not being presented to the Council en masse for approval. However, as the Governance Code of Practice concerns the operations of the Court and Council and of the Council’s Committees, this particular Code must also be presented to the Council for formal approval. A copy of the Governance Code of Practice is therefore attached at Annex A.

6. The Council is therefore invited to consider and, if it sees fit, approve the Governance Code of Practice.
PROMOTING RACE EQUALITY

CODE OF PRACTICE IN RELATION TO
THE GOVERNANCE OF THE COLLEGE

INTRODUCTION

1. Imperial College is an independent corporation whose legal status derives from a Royal Charter granted under Letters Patent in 1907. The present Charter and Statutes were granted by Her Majesty The Queen in 1998.

2. The College, as constituted by this Charter, consists of the members of the Court and of the Council, the Fellows of the College, the academic and academic-related staff, the students and other members of the College. Its Mission is to embody and deliver world class scholarship, education and research in science, engineering and medicine, with particular regard to their application in Industry, Commerce and Healthcare. It fosters interdisciplinary working within the College and collaborates widely externally.

3. The College is committed to exhibiting best practice in all aspects of corporate governance, including the promotion of race equality. To this end, the decision-making structures within the College include representation from throughout the College and, as far as is practicable within the constraints set down in the Charter and Statutes, the membership of all College, Faculty, Departmental, Divisional, Centre, Academic Service and Administrative committees should reflect the ethnic diversity of the College.

THE COURT AND COUNCIL

THE COURT

4. The Court is a large, formal body, the membership and powers of which are defined in the Charter and Statutes. It consists of some 160 members, 76 of whom are appointed by bodies representing educational, research, international, regional, and local interests, 16 of which are ex-officio appointments and 28 of whom are elected by and from among the staff of the College. The Court can also co-opt up to 30 additional members. The Court meets once a year to receive formal reports from the Chairman and the Rector.

THE COUNCIL

5. The membership and powers of the Council are defined in the Charter and Statutes. It is the governing and executive body of the College and has 32 members, the majority of whom are lay members, including the Chairman, Deputy Chairman and Honorary Treasurer. Also included in its membership are both ex-officio and elected representatives of the academic staff of the College and of the student body. The Council is responsible for the finance, property, investments and general business of the College, and for setting the general strategic direction of the institution. The Council is also responsible for the College's
system of internal control and for reviewing its effectiveness.

COUNCIL COMMITTEES

6. Much of the Council’s detailed business is handled initially by a variety of Committees that report at least annually to the Council. These Committees are formally constituted as committees of the Council with written terms of reference and specified membership, including a significant proportion of lay members.

APPOINTMENT OF MEMBERS

7. Members of the Court and Council are appointed for a term of office of four years and may normally be appointed for only one further term of four years.

8. **Appointments to the Court**

   a. The majority of members of the Court are appointed by external bodies and the choice of person is therefore outside the control of the College. Whenever a vacancy for an appointed member occurs, the College’s Central Secretariat writes to the appointing body and invites it to appoint a successor. This written invitation makes it clear to the appointing body that, in accordance with its Policy on Promoting Race Equality, the College is actively seeking to ensure that its formal committees as far as is possible reflect the ethnic diversity of the College and that it, therefore, expressly welcomes the appointment of members from ethnic minorities.

   b. The elected members of staff are appointed in accordance with the College’s election regulations. All members of the academic and academic-related staff may stand for, and vote in, these elections, which are conducted by the Single Transferable Vote system.

   c. Co-opted members are appointed by the Court on the recommendation of the Council. These positions are often filled by new lay members of the Council or of Council Committees and, as such, the selection of candidates is considered in detail by the Nominations Committee. These appointments are therefore subject to the same procedures as those for members of the Council (see paragraph 9 below).

9. **Appointments to the Council**

   a. Vacancies for lay and co-opted members of the Council are advertised within the College and members of the Court and Council and staff and students are invited to submit names. The invitation to submit nominations makes it clear that, in accordance with its Policy on Promoting Race Equality, the College is actively seeking to ensure that its formal committees as far as is possible reflect the ethnic diversity of the College and that it, therefore, expressly welcomes the nomination of candidates from ethnic minorities.

   b. All nominations for appointment are scrutinised by the Nominations Committee, which includes one of the College Deans together with members appointed from the lay and staff members of the Council. Once the Nominations Committee has determined a prioritised list of candidates for appointment, candidates are approached to ensure that they would be willing to serve as a member of the Council. Once this process has been completed, the Nominations Committee’s recommendations for appointment are put to the Council for approval.
In making its recommendations for appointment, the Nominations Committee reviews the skills and experience of candidates to ensure that they are able to make an active contribution. The Nominations Committee is also mindful of the need to ensure that the membership of the Council reflects, as far as possible, the ethnic diversity of the College.

c. The elected staff members of the Council are appointed in accordance with the College’s election regulations. All members of the academic staff may stand for, and vote in, these elections, which are conducted by the Single Transferable Vote system.

10. **Appointment to Council Committees.**

a. Members of the Committees of the Council are appointed by the Council acting on the advice of its Nominations Committee. Wherever possible, lay members of these Committees are appointed from the existing lay members of the Court, although the Committee will also consider external candidates, who may then be co-opted onto the Court as per Paragraph 8.c. above.

b. Staff members of these Committees are drawn from the elected staff members of the Court.

c. In making its recommendations for appointment, the Nominations Committee reviews the skills and experience of members of the Court to ensure that they are able to make an active contribution, and so that the College makes the best use of their time. The Nominations Committee is also mindful of the need to ensure that the membership of the Council’s Committees reflects, as far as possible, the ethnic diversity of the College.

**MONITORING**

11. The membership of the Court and Council and its Committees is monitored by the Central Secretariat. A report on the ethnicity of its members is made to the Nominations Committee annually and is also included in the Rector’s Annual Report to the Council.

**TRAINING OF MEMBERS**

12. All new members of the Court and Council are sent an induction pack on appointment. This contains advice about their responsibilities as a member of the Court and/ or Council together with information about the College including copies of the College’s Equal Opportunities Policy and its Policy for Promoting Race Equality. New members of the Council are additionally provided with the Guide for Governors published by the Committee of University Chairmen.

13. An annual induction programme is also made available for new and existing members of the Council. As well as informing them about the College’s operation and its aims and objectives, advice is also proffered on the College’s governance arrangements, on the funding of Higher Education and on Governors’ legal responsibilities. The induction programme also include presentations on the College’s Human Resources Policies and Procedures, including those on Equal Opportunities and Promoting Race Equality.
CONDUCT OF COURT, COUNCIL AND COUNCIL COMMITTEE BUSINESS

14. The conduct of the Meetings of the Court, Council and of Council Committees is governed by Standing Orders, which are defined by Regulation.

15. The Council meets at least six times a year. At each of its meetings it receives a formal report of Staff Matters, including notification of new staff appointments. The Council also receives regular reports from its Committees and expects to be advised of equal opportunity and diversity issues affecting the College as and when they arise.

16. Each year the Council receives an Annual Report from the Rector on the Promotion of Race Equality. This Report, which is normally presented to the Council at its Meeting in February, considers activity and progress in all major areas and includes relevant and appropriate data, so that the Council can assess the impact of the Policy on staff and students in College, and upon the wider community through its choice of business partners or suppliers. The Report includes monitoring information on:

   a. Student admissions, progress, attainment levels, fee status, drop-out rates, disciplinary matters and complaints by ethnic origin.

   b. Staff recruitment, progress, promotion, pay, development take-up, discipline and grievances by ethnic origin.

   c. Membership of the Court, Council, standing committees and other formal committees.

   d. Those organisations with which it has business relationships and an assessment of whether the College has tackled racial discrimination and promoted racial equality through its choice of contractor, supplier or consultant.

17. The Annual Report also includes an assessment of the College’s relative performance in these areas, benchmarked against available data from other comparable higher education institutions and makes recommendations on what action, if any may be required to improve the College’s performance.

COLLEGE, FACULTY, CENTRE/DEPARTMENTAL/DIVISIONAL, ACADEMIC SERVICE AND ADMINISTRATIVE COMMITTEES.

THE SENATE

18. The membership and powers of the Senate are defined in the Statutes. It is the supreme academic authority of the College and, as such, its role is to direct and regulate the academic work of the College, both in teaching and research. It has 58 members. 15 are ex-officio, 7 are appointed by and from among the Heads of academic Departments and Divisions, 24 are appointed from the full-time academic staff by the Engineering Studies, Medical Studies and Science Studies Committees and 6 are elected by and from among the full-time academic staff. There are also 3 members co-opted from the full-time academic staff and 3 student members, one of whom is the President of the Imperial College Union.

19. Appointments and elections to the Senate are carried out in accordance with the College’s election Regulations:

   a. **Heads of Academic Departments and Divisions.** All Heads may stand for,
and vote in the elections for these categories, which are determined by a simple majority of those voting.

b. **Appointments by the Engineering Studies, Medical Studies and Science Studies Committees.** Each year, the Chairs of these Committees are invited to nominate members of the full-time academic staff to fill any vacancies expected to occur for appointment to the Senate. When requesting these nominations, the Academic Registrar reminds the Chairs of the need to ensure that the membership of the Senate, as far as is possible, reflects the ethnic diversity of the College.

c. **Elected members.** All members of the academic staff may stand for, and vote in these elections, which are conducted by the Single Transferable Vote system.

d. **Co-opted Members.** Each year the Rector may nominate members of the academic staff to fill any vacancies for co-opted members of the Senate. In doing so, the Rector has a responsibility to ensure that the College’s academic interests are as widely represented on the Senate as possible. He is also mindful of the need to ensure that the membership of Senate, as far as is possible, reflects the ethnic diversity of the College.

**SENATE COMMITTEES**

20. The Senate has established a number of Committees to assist it in discharging its responsibilities. These Committees are formally constituted as committees of the Senate with written terms of reference and specified membership.

21. Members of Senate Committees are appointed primarily because they exercise particular roles and responsibilities in relation to the academic work of the College. When seeking nominations to Senate Committees the Academic Registrar reminds the Chair of the relevant Committee of the need to ensure that the membership of Senate Committees, as far as possible, reflects the ethnic diversity of the College.

**RECTOR’S COMMITTEES**

22. The Rector, as the principal academic and administrative officer of the College, is responsible for maintaining and promoting the efficient and proper management of the affairs of the College. He is supported in this by a number of Rector’s Committees, which act in an advisory capacity to him on non-academic matters. Members of these Committee are, in the main, drawn from the staff of the College, although several also have significant student membership and some include lay members appointed from the Court.

23. The principal Rector’s Committee is the Executive Committee, which comprises the Rector and Deputy Rector, the Principals of the Faculties and the Heads of the College’s Administration. As such, its members represent all the Departments and Divisions of the College. Other important Rector’s Committees, particularly in the context of the College’s Equal Opportunities Policy and its Policy on Promoting Race Equality, include the Academic Opportunities Committee and the Equal Opportunities and Diversity Committee.

24. The Rector is responsible for the appointment of the members of his advisory committees. Before making such appointments, the Rector consults widely within College to ensure that the Committees include as broad a representation of the staff and students as is possible and that these Committees, as far as is possible, reflect the ethnic diversity of the College.
25. **The Equal Opportunities and Diversity Committee.** The Equal Opportunities and Diversity Committee has overall responsibility for equality issues in the College and it reports to Council via the Rector. The Chair is appointed by the Rector and is a member of the Executive Committee. It is responsible for approving specific action and for supporting the planning and development of the Policy for Promoting Race Equality and its associated Codes of Practice and Action Plans. The Committee is also responsible for monitoring the impact of the Policy and Codes, reviewing progress on the action plans, setting challenging targets related to the achievement of the Policy and codes, consulting with, and involving relevant people from outside College and taking account of the needs and interests of representative groups within College. To help it achieve these responsibilities, the Committee includes significant representation of women, staff from different ethnic origins, different job levels and the Students’ Union. The Committee is serviced by the Human Resources Division, for whom the implementation of the Policy is a day-to-day responsibility, and it is responsible for making an annual review report to the Rector, normally in January.

**FACULTY AND DEPARTMENTAL STANDING COMMITTEES**

26. The Rector has devolved responsibility to the Faculties, Departments, Divisions and Centres to consider and implement measures for promoting race equality within their local management structures.

27. Faculties, Departments, Divisions and Centres have established standing committees in order to ensure their effective management and to ensure the effective implementation of College Policies and Procedures. Administrative and Academic Service Divisions have also established committees and/ or working groups to assist them in the provision of effective services. The Faculties, Departments, Divisions, Centres and other organisational units are responsible for ensuring that the membership of their standing committees and/or other formal committees/working groups, include as wide and diverse a representation of the staff as is possible, including those from ethnic minorities.

**MONITORING**

28. The Central Secretariat is responsible for co-ordinating the monitoring of the ethnicity of members of Council, Senate, Rector’s, Faculty Departmental and Administrative Committees. The Central Secretariat itself monitors the ethnicity of members of Council and Rector’s Committees. The Registry monitors the ethnicity of members of the Senate and of Senate Committees and provides reports on the results of this monitoring to the Central Secretariat annually. Faculties are responsible for monitoring the ethnicity of members of Faculty Committees and the main Departmental Committees. Faculties report on the results of this monitoring to the Central Secretariat annually.

29. The Central Secretariat produces a consolidated report on the ethnicity of committee membership together with recommendations for action to redress any imbalance identified as a result of the monitoring. This is presented to the Equal Opportunities and Diversity Committee for inclusion in its Annual Report on Promoting Race Equality to the Rector and the Executive Committee.

**ASSESSING THE IMPACT OF POLICIES**

30. The Equal Opportunities and Diversity Committee is responsible for assessing the impact on the promotion of race equality of this and other policies and for discussing and
approving specific actions and recommendations. The Committee receives an annual report on activity and progress, including relevant and appropriate data, from all relevant groups. The Committee is also responsible for assessing the impact of the Codes of Practice, which have been written to enshrine the promotion of race equality into all of the College’s major functions. The Policy and the Codes of Practice are to be reviewed annually by the Committee.

31. The Rector’s Executive Committee is to receive an annual report on activity and progress from the Equal Opportunities and Diversity Committee, including relevant and appropriate data, so that it can assess the impact of the Policy on staff and students in College, and upon the wider community through its choice of business partners or suppliers, and recommend and/or agree further action as required.

32. The Council is to receive an annual report from the Rector on activity and progress in all major areas, including relevant and appropriate data, so that it can assess the impact of the Policy on staff and students in College, and upon the wider community through its choice of business partners or suppliers.

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