MINUTES OF THE PROCEEDINGS

at the

Fifteenth Meeting of the

COUNCIL

of the

IMPERIAL COLLEGE OF SCIENCE, TECHNOLOGY AND MEDICINE

The Fifteenth Meeting of the Council was held in the Council Room, 170, Queen’s Gate at 9.30 a.m. on Thursday 14th December 2000, when there were present:

Lord Vincent (Chairman), Mr. G. Able, Mr. W. L. Banks, Professor P. W. Bearman, Professor J. N. B. Bell, Mr. R. D. Buchanan-Dunlop, Dr. E. Buttle, Professor T. J. H. Clark, Professor C. R. W. Edwards, Professor I. J. Graham-Bryce, Professor M. G. Haines, Professor S. P. F. Hughes, Mr. R. J. Margetts, The Hon. Mrs. Sara Morrison, Sir Alan Munro, Mr. H. M. Neal, Professor P. Poole-Wilson, Dr. B. G. Smith, Dr. C. L. Vaughan, the Rector, the Deputy Rector and the President of ICU, together with the Clerk to the Court and Council.

Imperial College Union Observer: Mr. E. Pollard (Deputy President, Finance and Services).

In attendance: Mr. D. P. Hearn, the Academic Registrar, the Director of Estates, the Director of Personnel, the Director of Planning and MIS, the Chief Accountant, the Financial Controller and the Assistant Clerk to the Court and Council.

Apologies: Mr. A. R. F. Buxton, Professor M. Green, Dr. M. P. Knight, Dr. D. P. Isherwood, Professor J. S. Higgins, Sir Stuart Lipton, Mr. H. B. Lowe, Professor R. D. Rawlings and the Director of Finance.

Welcome

The Chairman welcomed the Chairman of the Audit Committee, Mr. Donald Hearn, who was in attendance to present the Committee’s Annual Report. The Chairman went on to inform the Council that the Director of Finance, Mrs. Castle, was currently on sick leave. On behalf of the Council he welcomed the Financial Controller, Mr. Malcolm Aldridge, and the Chief Accountant, Dr. Erol Rashit, who were attending in her stead.
MINUTES

Council – 20th October 2000

1. The Minutes of the Fourteenth Meeting of the Council, held on 20th October 2000, were taken as read, confirmed and signed.

MATTERS ARISING

Memorandum of Understanding with the Imperial College Union (Council Minutes, 20th October 2000, Minutes 5 - 6)

2. The Clerk reminded the Council that a revised Memorandum of Understanding (MoU) between the College and the ICU was being prepared and that it had been hoped to present this for approval to the Council at this meeting. He reported that work was well advanced and that the College and ICU were broadly in agreement over the terms of the revised document. The ICU President, Mr. Common, concurred with this. However, he reported that the ICU was also proposing to revise its Constitution and he felt it would be preferable for the Council to consider the ICU’s revised Constitution at the same time as the revised MoU. As the Constitution would not be ready for consideration until March, he suggested that approval of the revised MoU be deferred until then so that these two papers could be taken together. The Chairman agreed that this was a sensible way forward and asked the Clerk to make the necessary arrangements.

Restructuring of the Divisions of the School of Medicine (Council Minutes, 20th October 2000, Minutes 14 - 17)

3. The Deputy Rector reminded the Council that, by October, the School of Medicine (ICSM) had identified £1.9M against target savings of £2.4M. Since then, further savings had been obtained, particularly in relation to support staff, such that the ICSM was now predicting £2.5M in savings. There were now only two individuals whose cases would need to be referred to Redundancy Committees. Both cases were complex and it was unlikely that they would be concluded in time for the December deadline for London Implementation Group (LIG) funding. However, because the majority of savings had been achieved in time, the issue of LIG funding for these two cases was now less significant. He advised members that it was likely that in both cases Redundancy Committees would be convened in January 2001.

4. The Principal of ICSM, Professor Edwards, reported that the process of restructuring the ICSM had been remarkably successful. It had been completed with the minimum of disruption to the work of the School of Medicine and he expressed his appreciation for all that Heads of Division had done to take this forward. He believed that the ICSM’s structure was now sound and would provide a solid foundation for its future development. He confirmed that the savings identified did not include the costs of the restructuring exercise. However, he reminded the Council that 40% of these costs would be met by the LIG funds.

5. Sir Alan Munro asked what effect restructuring had had on morale within ICSM. Professor Edwards replied that, while the exercise had been progressing, staff had
inevitably felt their own positions were at risk. However, all members of staff had recognised that the School’s position had been untenable and that not to have addressed the financial problems of its Divisions would have been far more damaging for the School’s long term future. It was important for maintaining morale that the restructuring process had been transparent and had been carried out fairly. That it had been completed relatively quickly was also important to ensure that staff could be re-assured about their own positions with the minimum delay. Because of the success of the restructuring programme, he believed that morale was now good. Professor Hughes confirmed this, stating that the staff in his Division were positive about the School’s future. The Chairman concluded the discussion by noting that this had been a difficult but necessary process. On behalf of the Council he thanked all the staff in the College who had contributed to the exercise.

Effectiveness of the Governing Body (Council Minutes, 20th October 2000, Minutes 37 - 40)

6. The Deputy Chairman, the Hon. Mrs. Sara Morrison, reminded the Council that when it had considered the Report on the Effectiveness of the Governing Body at its last Meeting, members had raised two main concerns; first, that the Report did not clearly identify recommendations for action to improve the Council’s effectiveness; and second, the need to rectify one of the shortcomings identified in the Review, namely the induction arrangements for new governors. She regretted that, owing to her own commitments and also because of the pressure of work in the College at this time of year, it had not been possible for the Governance Committee to meet to consider the Council’s deliberations and to make further recommendations. She assured the Council that the Governance Committee would be reconvened as soon as was practicable in the New Year and would report back to Council shortly thereafter.

7. With regard to the induction of new governors, she advised that no arrangements had been made this year because there had been no new members of the Council. However, a number of new members would be joining the Council next year. Consequently, the Clerk was planning to develop an induction programme for new governors to be offered in October 2001. In the meantime members would wish to know that the Committee of University Chairmen (CUC) was providing a general Governor Development Programme aimed at governors of Higher Education institutions. She had asked the Clerk to circulate members with details of these seminars as they became available.

RECTOR’S BUSINESS

Staff Matters (Paper A)

8. The Rector formally presented Paper A, which was received for information. He went on to say that, since the Paper had been circulated, it had been confirmed that Professor Kitney would be standing down as the Head of the Department of Biological and Medical Systems and that he would be succeeded by Professor Toumazou.
ANNUAL REPORT OF THE FELLOWSHIP COMMITTEE (Paper B)

9. The Rector introduced Paper B stating that the Fellowship Committee was pleased to offer a distinguished set of nominees for the award of Fellowships, Honorary Degrees and Associateships of the College.

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

FINANCIAL STATEMENTS 1999 - 2000 (Paper C) and THE ANNUAL REPORT OF THE AUDIT COMMITTEE (Paper D)

10. Introducing Paper C, the Rector acknowledged that 1999-2000 had been a very difficult year for the College’s finances. During 1999, he reminded the Council, the College had introduced a new and complex IT system covering the Finance, Payroll and Personnel functions and, just after the first phase of the system had been implemented, a new Director of Finance had joined the College. At that time the College was also preparing for its merger with Wye College and was involved in a major building programme including the construction of the Multi-Disciplinary Research Building and the refurbishment of the Beit Hall of Residence. As members of the Council were aware, the main contractors for this last project had gone into receivership at the worst possible moment. Unfortunately, and on top of all this, in the early part of 2000, the Director of Finance, Mrs. Castle, had also suffered a personal tragedy following which she had had to spend time away on extended sick leave.

11. The Rector remarked that, in a time of transition, it was more difficult to distinguish between short-term problems which were resolvable and those which were more fundamental. It was clear with hindsight that some of the problems experienced with the new IT system, ICIS, were more complex than had been thought at the time. In particular, the failure of its automatic bank reconciliation module had created considerable difficulties. At the same time as this system failure, the management of credit control within the Finance Division had also deteriorated markedly. These two failures had resulted in a temporary loss of proper financial control. He assured the Council that all the associated issues were being addressed and that the College had now regained control of its financial situation. He was also able to assure members that, following the work on the preparation of the accounts, it was clear that, thankfully, there had been no financial malfeasance during this period.

12. As a result of this temporary loss of control, he continued, it had appeared for a time that the external auditors might have to qualify the College’s Annual Accounts. However, he was pleased to report that, thanks to the sterling efforts of the Finance staff to recover lost ground and to address the management and other shortcomings in the Division, the external auditors had agreed to sign the College’s Accounts without qualification. He expressed his thanks in particular to the Financial Controller and the Chief Accountant, who had both been instrumental in achieving this turnaround.

13. The Rector went on to say that much work was still required to restore the College’s financial position, particularly in relation to historic debts, and this would take several months. The incoming Rector, Sir Richard Sykes, the Deputy Rector, the Clerk and the
Honorary Treasurer were together monitoring the situation and would be appointing an interim Director of Finance. This person would oversee the structural and procedural improvements required in the management of the Finance Division until Mrs. Castle was able to return from sick leave. In addition, the external auditors, PricewaterhouseCoopers would be reviewing the operation of the ICIS system as well as providing assistance for other areas within Finance. A new manager for the Credit Control function had also been appointed and the College was implementing a more rigorous procedure for financial reporting to ensure that agreed milestones were being met.

14. Although there was no evidence of fraud, Mr. Margetts queried whether the College would nonetheless suffer financially because of this loss of control. The Rector confirmed that this was likely and noted that for this reason an additional provision for bad debts of £3M had been made in the Annual Accounts for 1999-2000.

15. Mr. Able asked for an assurance that the College had learned from this failure and that it would not recur. The Rector stated that the particular combination of circumstances that had led to these problems, namely the implementation of a large and complex IT system at the same time as there was a significant change in senior personnel in the Finance Division, was unlikely to occur again in the future. However, it was clear that closer scrutiny should have been maintained over the College’s financial performance during this period of major turbulence.

16. The Honorary Treasurer agreed, stating that the College’s reporting structures had not highlighted the College’s financial difficulties when they occurred. He was sure that information had not been withheld, but rather that the seriousness of the College’s position had not been fully realised until fairly late in the day. He suggested that the College’s reporting procedures might therefore need to be amended to ensure that it could identify potential problems at the earliest possible opportunity. The Chairman agreed, informing the Council that, as soon as he had been made aware of the problem soon after the Council’s previous meeting, he had ensured that he was provided with regular updates. He had also attended a number of meetings with the Honorary Treasurer and the Chairman of the Audit Committee at which they had received reports on progress with the Annual Accounts.

17. The Council then moved on to consider Paper D and the Chairman of the Audit Committee, Mr. Hearn, introduced his report by saying that there had been a very real possibility that the College’s Accounts would be qualified. It had therefore been a relief when, at the Audit Committee Meeting on 5 December, the external auditors had agreed to sign the Accounts without qualification. The Audit Committee itself had been very concerned to learn of the problems with ICIS and with credit control and their implications for the College’s finances. During the course of the year the Committee had received reports on ICIS but, at the time, these reports had tended to show the system in its best possible light, an optimism which, with hindsight, had not been warranted.

18. Before considering the Audit Committee’s report in detail, Mr. Hearn assured the Council that the work of internal and external audit during the year had shown that the College’s general level of controls were satisfactory. He felt it was important that the significant failures which had occurred were seen in this context. However, he
reiterated that the failures had indeed been serious. The Audit Committee had only been informed of the problems with bank reconciliation at its meeting in June 2000. This was some ten months after the problem had started and represented a major failure in accounting controls. The Committee was also disappointed that, although it was clear that the College had a number of value for money initiatives, they had not been reviewed by the Management and Planning Group as the Committee had requested. One further concern was the failure of the Enterprise Board, which had a responsibility to monitor the College’s various income generating activities, to meet during the year. On behalf of the Committee Mr. Hearn urged the Rector to ensure that the Board met during 2000-01. Finally, he reported that the College’s subsidiary companies, which had received qualified accounts in 1998-99, were likely to receive qualified accounts again. The reasons for this were of a technical accounting nature and steps were being taken to address them.

19. Concluding his report, Mr. Hearn advised the Council that the Audit Committee could only give it limited comfort with regard to the College’s financial controls. The Committee believed that a greater degree of scrutiny of the College’s financial performance was required and suggested that this should be the responsibility of either the Management and Planning Group, reporting to the Rector or, preferably, a separate Finance Committee including lay governor membership reporting directly to the Council.

20. Noting the considerable level of historic debts, Mr. Margetts asked whether the College’s position had improved since the closure of accounts in July 2000. The Chief Accountant, Dr. Rashit, stated that, in fact, the position had worsened since then. The Financial Controller, Mr. Aldridge, reported that the College was now addressing this and aimed to have recovered £16M of such debts by the end of July 2001, albeit that this was a challenging target.

21. Dr. Vaughan expressed concern that at the time that the Annual Accounts for 1998-99 had come close to being qualified the Audit Committee had not been informed. Mr. Hearn said that the Committee shared this concern and had discussed it with the external auditors at its last meeting. For the time being, the Committee would be meeting with the external auditors in private prior to its formal meetings to ensure that the latter could raise any issues or concerns with the Committee as they saw fit. Mr. Hearn went on to say that he believed the auditors had become increasingly concerned during the course of the year as they realised that the College was making only slow progress in rectifying the shortcomings identified in the previous year’s management letter. They had eventually brought these concerns to the attention of the Committee at its meeting in June.

22. Mr. Margetts asked why the problems with bank reconciliation and credit control had not been noticed by Internal Audit. Dr. Vaughan supported him in this, noting that the College’s Internal Audit section appeared to be relatively small for an organisation of the College’s size. Mr. Hearn stated that Internal Audit’s role was to ensure that detailed controls were in place. All the indications were that the College’s underlying controls were sound and that the significant failure in this case was that the College’s reporting systems had not highlighted the financial problems early enough. However, if the College did intend to bolster the resources devoted to internal audit, it should consider what additional contribution could be made by PricewaterhouseCoopers.
24. Sir Alan Munro asked whether UNISYS, the implementers of ICIS, were supporting the College satisfactorily. The Director of Planning and MIS, Dr. Eastwood, replied that, although UNISYS had responded to the College’s needs, in the past this had not always been as quickly as the College would have liked. However, discussions with the Company had resulted in the relationship improving recently. Supporting this, the Rector said that the College’s preparations for the implementation of ICIS had been thorough but that the complexity of the system had meant that a large number of unexpected difficulties had been encountered. However, the College was working with UNISYS to ensure that solutions to these problems were found and implemented.

25. Concluding the discussion, the Chairman said that the College’s current financial position was the result of a combination of factors. In the last four years Imperial had increased in both size and complexity through its mergers with the medical schools and with Wye College, each of which had also left a legacy of issues to be dealt with by the College. At the same time, a new Finance and Personnel IT system had been introduced and the College’s Director of Finance had changed. He suggested that the College’s administrative structures and the resources devoted to administration should be reviewed to ensure that they remained appropriate. While he was pleased that the Annual Accounts had not been qualified it was important that the College learned from these difficulties and addressed the weaknesses underlying them. He expected that the External Auditors’ Management Letter would include a number of major recommendations which the College would have to treat seriously. It was clear that a failure to do so would result in the auditors qualifying the College’s Accounts for the current year. The Council would expect to receive regular reports during the course of the year on the progress being made in re-establishing the College’s financial management on a firm basis.

26. Mr. Margetts suggested that the Financial Management Reports presented to the Council should, in future, include a report on certain key performance indicators including cash flow and the age and size of historical debts. The Rector agreed, noting that these performance indicators would have to monitored closely from now on.

Resolved: That the Annual Accounts for 1999-2000, as set out in Paper C, be adopted.

MAJOR PROJECTS UPDATE (Paper E)

27. The Director of Estates, Mr. Caldwell, introduced Paper E reporting that the practice rooms in the Blyth Music and Arts Centre were now in full operation. The remaining shell of the area originally intended for the Music and Arts Centre would now be used to provide a Teaching and Seminar Centre with HEFCE funding of £1.1M. With regard to the Beit Refurbishment Project, difficulties were still being experienced in moving work forward, particularly because, in addition to Longleys, two of the key sub-contractors had also gone into liquidation. This had necessitated the appointment of two new contractors at an additional cost of £500K. Mr. Caldwell reported that, although the College was working to minimise any further overspends, it was possible that some further expenditure would be required before the Project was complete. He went on to report that there was also a possible overspend on the Multi-Disciplinary Research
Building (MDRB) of £400K relating to outstanding claims from sub-contractors. However, it was expected that these would be reduced by negotiation.

28. The Chairman queried how these additional items related to the College’s budget for 2000-01. The Deputy Rector reported that the creation of the Teaching and Seminar Centre had been included in the budget, but the additional expenditure for the Beit Refurbishment and the MDRB had not. This meant that some other item of capital expenditure would have to be deferred to compensate for these overspends.

29. Dr. Vaughan felt that the College’s current financial situation demonstrated its need to build up its endowments and asked whether the College intended to make use of the donation of £27M, reported at the last Council Meeting, to encourage other College alumni to make further donations. The Rector confirmed that the incoming Rector, Sir Richard Sykes, would be leading a major fund raising exercise in due course.

Resolved: (i) That the fit out of the Teaching and Seminar Centre at a total cost of £1.42M, of which £320K will be funded by the College, be approved.

(ii) That the Chairman be given delegated authority, on behalf of the Council, to approve additional expenditure on the Beit Refurbishment Project, should such approval be required before the next meeting of the Council in February 2001.

(iii) That the increase of the contingency for the Multi-Disciplinary Research Building Project of £400K be approved.

FINANCE MANAGEMENT REPORT (Paper F)

30. The Rector introduced Paper F, noting in particular the apparent decline in research income. He explained that the College was attracting a large number of new research grants but, because of difficulties in recruiting new research staff, there was now a significant delay between receiving the notification of a grant and starting the research project. Because income only accrued to the College once the project had started, there was a consequential decline in income. Once the recruitment situation eased, he stated, research income received would return to its previous levels.

31. Looking at the College’s overall performance, the Honorary Treasurer stated that the College’s cash balances would be key to its financial health this year. At the very least the College should expect to recover the £16M in historic debts it had targeted. He hoped that it would do better than this.

32. Mr. Able queried why the forecasts did not take account of individual departments’ adverse variances. The Rector explained that these could fluctuate from month to month because of the way money was claimed back for research and for administrative and other charges. However, if an adverse variance appeared to be more fundamental, the Director of Finance discussed this with the Head of Department. If required, the Department’s forecasts would be adjusted at this stage.
33. Mr. Margetts asked when the sale of the Ice Rink site was likely to be completed. The Director of Estates, Mr. Caldwell replied that a contract had been agreed but that this was conditional on the successful conclusion of negotiations on rights of light. It was hoped that these would be concluded shortly.

34. Dr. Smith asked at what point the College would stop any expenditure. The Financial Controller, Mr. Aldridge, replied that the College had a good credit rating and would be arranging an overdraft facility of £20M with its bankers. Provided the sale of the Ice Rink was concluded successfully and the College achieved its target of retrieving at least £16M of old debts, it would only require this facility for the current year. He assured the Council that the measures being taken to strengthen credit control meant that current debts were now being chased systematically.

Resolved: That in the absence of the Director of Finance, the Clerk to the Court and Council be authorised to enter into an agreement with the NatWest Bank to provide an unsecured overdraft facility of variable amount to a maximum of £20M for the period expiring on 31 October 2001 at 1% over the Bank’s base rate.

FINAL REPORT OF THE ATHENA PROJECT (Paper G)

35. The Deputy Chairman, the Hon. Mrs. Sara Morrison, introduced Paper G by thanking the Rector for the support he had given to the Athena Project. She said that the Project had highlighted a concern that, while the competitive, hard-working culture of the College was one of the reasons for its success, it could also have a damaging effect on some colleagues. It was important that this was recognised so that the College could continue to attract and retain younger members of staff. The Director of Personnel, Dr. Kimberley, agreed and stressed that this was a concern for both male and female staff.

36. The Rector supported this and said that it was important that Imperial took account of the recommendations arising from the Report. Imperial was unique amongst science institutions in that its female students performed as well as its male students in examinations. However, it received ten times as many applications for employment from men as from women, although an analysis of its recruitment profiles showed that women applicants were more likely to succeed. Taken together, these facts suggested that there was no institutional barrier for women. He acknowledged though that the competitive environment at Imperial could be stressful for younger staff.

37. Professor Bell reported that he had acted as a mentor for the Athena Project and had been surprised by the levels of stress experienced by some staff. He believed the College needed to develop a system for assessing and supporting staff suffering from stress.

CLERK’S BUSINESS

Overseas Student Fees 2001-02 (Paper H)

38. The Director of Planning and MIS, Dr. Eastwood, introduced Paper H, drawing
members’ attention to the proposals concerning HEU non-exchange occasional students. He explained that, because these postgraduate students were registered as undergraduates for fee purposes, Departments lost approximately £800 per student. It was therefore proposed to increase the maximum fee to the equivalent of the postgraduate fee. This would allow Departments to recover the costs of teaching these students. The proposal had been checked with the Department for Education and Employment who had confirmed that this was in accordance with their regulations. Dr. Eastwood assured the Council that Departments had the power to waive the higher fee should they wish to do so.

39. Dr. Smith asked whether the fee increases proposed would affect the College’s ability to recruit students. Dr. Eastwood replied that the only effect of previous fee increases had been to increase both the number and quality of the College’s applicants. The ICU President, Mr. Common, expressed his concern that the Students’ Union had not been consulted on, or advised of, the proposed change to the fee for HEU non-exchange occasional students. Dr. Eastwood agreed to his request that, in future, the ICU would be informed in advance of changes to the fee status for particular groups of students.

40. In answer to a question from Sir Alan Munro about the effect these changes would have on students entering the College under the Chevening Scholarship scheme, it was noted that for these individuals the College agreed to waive a proportion of the student fee. The student would also receive a contribution to maintenance from the British Council.

Resolved: That the sessional fees for overseas students for 2001-02, as set out in Paper H, be approved.

Proposed Changes to ICU Regulations (Paper I)

41. Introducing Paper I, the Clerk informed the Council that the proposed changes to the ICU Election Regulations provided for the introduction of electronic voting. The ICU President, Mr. Common, explained that the ICU was investigating the possibility of introducing electronic voting for the forthcoming sabbatical elections with a number of external firms. He assured the Council that this would only happen if the ICU was satisfied with the level of security offered by the chosen firm.

Resolved: That the amendments to the Imperial College Union Regulations, as set out in Paper I, be approved.

ANY OTHER BUSINESS

Admissions Procedures for Medical Students

42. Mr. Able reported that he had recently had occasion to observe admission interviews for prospective medical students conducted in the Imperial College School of Medicine. He felt the interviews had been well chaired and had been conducted very fairly. He commended the excellent procedures in place in the School of Medicine. Professor Edwards thanked Mr. Able and noted that all staff conducting admission
interviews in the ICSM were now required to undertake training for this task. The ICU President, Mr. Common, agreed, noting that these procedures were also unique in that current medical students were also involved in the interview process.

Valete

43. The Chairman reminded members that this would be the last meeting of the Council for both the Rector, Lord Oxburgh, and the Principal of the School of Medicine, Professor Edwards. Paying tribute to them, the Chairman stated that they had both been instrumental in the creation of the Imperial College School of Medicine, one of the most significant developments in the College’s distinguished history. Professor Edwards, who had been appointed as the new Vice Chancellor of the University of Newcastle, would be the 5th serving Vice-Chancellor of a UK University to have come from Imperial.

44. Recognising that there would be other opportunities to pay proper tribute to all of Lord Oxburgh’s achievements, the Chairman thanked him on behalf of the Council for his stewardship of the College during his time as Rector. Although he was sceptical of the worth of league tables, it was now clearly recognised that Imperial was in the very top flight of international universities, an achievement that was, in no small measure, due to Lord Oxburgh’s efforts.