The Twenty-first Meeting of the Council was held in the Council Room, 170, Queen’s Gate at 10:30 a.m. on 14th December 2001, when there were present:

The Hon. Mrs. Sara Morrison (Deputy Chairman), Mr. G. Able, Professor J. N. B. Bell, Professor Sir Leszek Borysiewicz, Dr. E. Buttle, Mr. A. R. F. Buxton, Professor T. J. H. Clark, Professor M. Green, Professor M. G. Haines, Mr. D. P. Hearn, Professor S. P. F. Hughes, Dr. M. P. Knight, Mr. H. B. Lowe, Miss J. Mayhew, Sir Alastair Morton (from Minute 5 onwards), Professor J. Perkins (from Minute 5 onwards), Professor D. Phillips, Professor R. D. Rawlings, Eur. Ing. A. D. Roche, Dr. B. G. Smith, Dame Rosemary Spencer, Dr. C. L. Vaughan, Dr. D. J. Wilbraham, the Rector and the President of the ICU, together with the Clerk to the Court and Council.

Imperial College Union Observer: Mr. B. Hawkins (Deputy President, Finance and Services).

In attendance: the Academic Registrar, the Director of Finance, the Director of Human Resources, the Director of Planning and Information, the Director of Research Support and Development, the Director of Strategy Development and the Assistant Clerk to the Court and Council.

Apologies: Lord Vincent, Professor Dame Julia Higgins, Dr. D. P. Isherwood, Sir Stuart Lipton, Mr. R. J. Margetts, Professor P. Poole-Wilson and the Deputy Rector.

WELCOME

On behalf of the Council the Deputy Chairman welcomed Miss J. Mayhew to her first Meeting as a member of the Council.

MINUTES

Council – 19th October 2001

1. The Minutes of the Twentieth Meeting of the Council, held on 19th October 2001, were taken as read, confirmed and signed.
MATTERS ARISING

The Sale of Olave House (Council Minutes, 19th October 2001, Minute 9)

2. The Clerk reminded Governors that at the time of the last meeting, the College had been proceeding with two bids it had received for Olave House, both for £2.25M, although it had been felt that these were unlikely to be achieved at that price. The Council had approved the sale for not less than the Capital Investment Plan estimate of £2M. The Clerk reported that, in the event, the sale had been achieved for £2.05M, which, in the light of current market conditions, was felt to be the best price the College could obtain. Completion was, he said, set for 4th March 2002.

Widening Participation Statement (Council Minutes, 19th October 2001, Minute 10)

3. The Director of Planning and Information, Dr. Eastwood, reported that the Widening Participation Statement had been approved by the Executive Committee at its meeting on 26th October 2001. The Statement sought to respond positively to the Government’s agenda while maintaining the College’s entry standards. The main objective was therefore to develop activities with schools, which would promote science teaching and increase the quality of applicants to the College. He said that the Statement could be provided to members of the Council on request.

MEMBERSHIP OF THE COURT, COUNCIL AND COUNCIL COMMITTEES (PAPER A)

4. The Clerk introduced Paper A, which identified current and forthcoming vacancies on the Council, the Court and on Council Committees. The Nominations Committee had considered these vacancies and had made the recommendations for appointment presented here. Before proceeding to consider these, he advised the Council that one of the candidates for appointment to the Council had decided to decline the invitation. Mr. D. Green, the MP for Ashford, had also declined the offer to be a member of the Court because of a potential conflict with his responsibilities as Shadow Education Minister.

Resolved: (i) That the appointment of Dr. Buttle as Deputy Chairman of the Court and Council in succession to the Hon. Mrs. Sara Morrison be recommended to the Court for approval.

(ii) That the appointment of Sir Alastair Morton and Professor Perkins to the Council be approved with immediate effect.

(iii) That the appointment of Professor Pendry and Professor Hassell to the Council from 1st January 2002 be approved.

(iv) That the appointments to Council Committees, as set out in Paper A, be approved.
5. The Deputy Chairman then invited Sir Alastair Morton and Professor Perkins to join the meeting and welcomed them to the Council.

RECTOR’S BUSINESS

Staff Matters (Paper B)

6. The Rector formally presented Paper B, which was received for information.

Oral Reports

7. The Rector informed Governors that the findings of the 2001 Research Assessment Exercise (RAE), which had been embargoed until that day, could now be released. As this represented very good news for the College, he had asked the Deputy Chairman to change the order of business for this meeting so that the results could be announced.

RESEARCH ASSESSMENT EXERCISE (PAPER E)

8. The Director of Planning and Information, Dr. Eastwood, introduced Paper E, which had been tabled. He said that Imperial had performed exceptionally well in the RAE achieving a weighted average score of 6.68 out of a possible total of 7. This was the second highest result in the country and was only 0.01 behind the score achieved by Cambridge University. In the previous RAE in 1996, by the same measure the College had been fourth highest. To improve significantly on this and to come higher than Oxford University was, he said, a considerable achievement. Furthermore, 75% of the College’s research staff were now working in Departments with the highest grade of 5*. This was the highest percentage in the country. Indeed, only four institutions had more than 50% of staff working in 5* Departments. This level of achievement had been reflected across all the disciplines in the College. Every Department had, at the very least, maintained its score from 1996 and a great many had increased their scores. In particular, he said, staff in the Faculty of Physical Sciences were now almost all 5*

9. Moving on to consider the published league tables, Dr. Eastwood noted that the Times Higher Education Supplement’s table was correct. The table published in the Times, however, also took into account those staff that had not been submitted for assessment. This was, said Dr. Eastwood, a misleading analysis. Both Oxford and Cambridge had, for the first time, included research-active College Staff in their submissions. However, no statement of College Staff who were not active had been submitted. This meant that both universities would appear to have a disproportionately high percentage of research-active staff. Similarly, by prior agreement with HEFCE, the University of Southampton had been allowed to exclude certain categories of non-research-active staff. In the circumstances, Dr. Eastwood said, the only accurate measure was the one adopted by the Times Higher. Concluding his Report, Dr. Eastwood said that the HEFCE Board was due to consider
the funding implications of the RAE results in the next week. He was hopeful that the HEFCE Board would, contrary to earlier rumours, decide to fund the improved scores. He was also hopeful that HEFCE would decide to increase the funding differentials to ensure that the highly-rated institutions received additional funding.

10. On behalf of the Council the Deputy Chairman congratulated all the staff in the College who had contributed to these excellent results.

STRATEGIC PLAN (PAPER C)

11. By way of introduction to Paper C, the Rector gave a detailed presentation on the Strategic Plan, the goals identified in it and its proposed implementation. Above all, he said, the Plan should be seen as a base line from which work would progress on the development of other strategic and operational plans. The Plan itself would be a living document, which would be updated regularly, and at least annually. The broad strategic agenda set out in the Plan would direct the College’s planning framework and its major priorities for the coming year. Over the next few months, further plans would be developed for the Faculties and major administrative functions, which would be appended to the College Strategic Plan as they became available. A copy of the Rector’s presentation is attached to these Minutes at Annex A.

12. Following the presentation, the Council congratulated the Rector on the Plan and his presentation. Mr. Buxton noted that a key element of the Research Strategy was to increase the College’s overhead recovery rate. However, he said, the recovery rate achieved in 2001 was only 18%. He asked how far the College could go in improving this rate, especially as much of the research in the Faculty of Medicine was funded by charities, which refused to make a contribution to overhead costs. The Rector said that this was a significant problem for all research universities. He agreed that it would be impossible for the College to restrict itself to only undertaking research where the full overhead costs were met. However, the current position was not sustainable and, he said, the research universities would have to work with the major medical charities to gradually improve the overhead recovery rate. Furthermore, the charities were not the only problem. The Research Councils would also only pay 46%, which was, he said, inadequate.

13. Mr. Buxton then noted that there were still 14 staff who reported directly to the Rector. He asked if this was still too many. The Rector agreed that 14 was too many but said that, before the introduction of the Faculty structure, he had had over 50 senior staff reporting to him. He intended to address the College’s administrative structure in due course and this would serve to reduce the number further.

14. Miss Mayhew noted the emphasis placed on the spin-out companies in the Plan, together with the continued exploitation of the College’s intellectual property. She asked whether the College had systems in place which could ensure that new ideas were identified, developed and supported. She also asked whether the College, in seeking support for its companies, was interacting with appropriate outside bodies. The Director of Research Support and Development, Dr. Sime, said that Imperial was beginning to develop a more systematic approach which would provide consistent
support for companies from incubation until the point at which they should move to, for example, an external science park. With regard to Miss Mayhew’s second point, he said that the College was in contact with the London Development Agency (LDA) and other similar bodies.

15. Dr. Smith said that, although he had enjoyed reading the Plan and listening to the Rector’s presentation, he wondered if more emphasis should have been placed on the Government’s proposals that education, and science education in particular, should be more closely aligned with industry. The Rector said that Imperial was unique in that it had always had the application of science and engineering to commerce as part of its mission and this had now been updated to encompass healthcare as well.

16. Mr. Roche welcomed the Plan but said that he would have liked it to have given greater prominence to health and safety issues. The Clerk noted that health and safety underpinned every activity in the College, but agreed that it could have been given greater prominence in the Plan.

17. Dr. Buttle noted that considerable emphasis was placed on the College’s plans to develop interdisciplinary research. This was, she suggested, research that pushed at the accepted boundaries of science. However, she said, by its very nature this sort of research did not fit easily with the boundaries set by the Research Councils and by prestigious journals. She asked if there was a danger that, by doing such research, the College would not obtain the degree of recognition and funding it warranted. The Rector accepted this point but said that the Research Councils were beginning to understand the need to encourage multidisciplinary research. However, he recognised that issues such as appropriate assessment by RAE Panels could be a concern. Professor Perkins, who had chaired the Chemical Engineering RAE Panel, said that his Panel had reviewed a lot of good work which was multidisciplinary in nature. Professor Sir Leszek Borysiewicz, who had also chaired an RAE Panel, said that almost all the submissions his Panel had reviewed had not been confined to a single discipline. Both acknowledged though that assessing such submissions did present difficulties.

18. Dr. Buttle went on to say that she strongly supported the aim to strengthen Imperial’s brand globally and that, although it was true that the additional expense involved in living, working and studying in London was a concern, it was possible to present too negative a picture of the ‘London factor’. She suggested that Imperial gained considerable brand recognition from being located in London and many staff and students were attracted to Imperial precisely because of all the facilities available in the Capital.

19. Sir Alastair Morton suggested that Imperial should also be taking the lead in promoting cultural change, particularly with regard to the popular opinion of science, technology and medicine. He said that Imperial and other like universities had a responsibility to challenge popular misconceptions and improve the general understanding of science and scientific method. Mr. Lowe agreed, saying that he was increasingly hearing the phrase ‘perception is reality’ in the food industry. This was, he said, dangerous and he was pleased that Imperial would be seeking to combat such views.
20. The Rector remarked that universities had the opportunity to act as ‘honest brokers’ in the national scientific debates being conducted at present. The public was, he said, unlikely to trust statements from Government or from industry, but universities could be seen as independent. This was a position that, in the past, had been occupied by the Royal Society. However, he noted, it appeared to be reluctant to take on this mantle and had refused to become involved in the debates on topics such as genetic modification. To this end, the Rector said, the College was developing joint initiatives with the London School of Economics and Political Science (LSE), and in particular its Public Policy Departments. In the New Year, the LSE and Imperial would be offering a series of joint lectures on topics such as food safety that encompassed both scientific developments and public policy.

Resolved: That the College Strategic Plan 2002-05, as set out in Paper C, be approved.

SALE OF EQUITY (PAPER D)

21. Introducing Paper D, the Rector reminded the Council that the College had a substantial investment in its spin-out companies. However, as the College was unlikely to see any significant return on this investment for a number of years, consideration was now being given to how it could be used to generate additional capital funding for the College. IC Innovations had held discussions with a number of interested parties and had identified two groups as potential purchasers of shares in these spin-out companies.

22. Dr. Wilbraham asked whether either group would provide additional support to the companies as well as capital funding. The Rector confirmed that both had indicated that they would be interested in developing relationships with the companies which could involve further investment and the provision of business advice.

23. Mr. Hearn queried whether the option of selling shares in the more mature companies only had been considered but the Rector said that the groups were interested in obtaining as broad a portfolio as possible. Restricting the number of spin-out companies to provide a relatively narrow range of investments would, he said, have made the deal less commercially attractive.

Resolved: That the sale of up to 50% of Imperial’s holding in the portfolio of formed and financed companies, as set out in Paper D, be approved.

FELLOWSHIPS COMMITTEE ANNUAL REPORT (PAPER F)

24. The Rector introduced Paper F stating that the Fellowships 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 F, be approved.

FINANCIAL STATEMENTS 2000-01 (PAPER G) and THE ANNUAL REPORT OF THE AUDIT COMMITTEE (PAPER H)

25. The Director of Finance, Mr. Cannon, introduced Paper G and reminded members that the College’s Financial Statements for 2000-01 now included Wye College and the Kennedy Institute and that this had increased the figures when compared to the previous year. He stressed that, although the College had generated a surplus of £16.4M, this was entirely due to the sale of College assets. Had it not been for these sales, the College would have had a deficit of £1M. He went on to point out that, while research income had increased by £24M, the overhead rate had declined from 24% to 17.6%. It would be important to address this decline and increase the overhead rate achieved in future years.

26. Before the Financial Statements were discussed, the Chairman of the Audit Committee, Mr. Hearn introduced Paper H. He said that, after the problems experienced in the previous year with the College’s Finance IT system, ICIS, it was a relief to report that control of the College’s finances was now no longer a cause for concern, although there was still much to be done. Continued delays in bank reconciliation remained a worry while the College’s aged debts were not responding to treatment as fast as might have been hoped. Finally, the financial information provided for users remained patchy. Having said this, the situation was improving, although there was still much to be done.

27. At the operational level – where internal control was important – there were, he said, still too many cases of established procedures not being followed, although the Executive Committee had confirmed that steps would be taken to improve this. Furthermore, the staffing of the internal audit function was, in the opinion of the Audit Committee, barely adequate. He was therefore pleased to report that this resource would be strengthened in the coming year and that the external auditors, PricewaterhouseCoopers (PwC), would be used to assist Internal Audit, particularly with its more strategic audit responsibilities.

28. Moving on, Mr. Hearn advised the Council that PwC had been appointed as external auditors five years ago and that the then Governing Body had agreed that a full re-tendering exercise should be conducted in 2002. However, the Audit Committee did not believe that the time was right for such an exercise, particularly in view of the current difficulties facing the Finance Division. The Audit Committee therefore recommended that the formal re-tendering exercise should be postponed for a further two years until 2004. This would still be in accordance with HEFCE guidelines that the appointment of external auditors should be reviewed at least every 7 years. Mr. Hearn then considered the College’s Value for Money (VFM) initiatives. In previous years, he said, the Committee had been critical of the fact that the Executive had failed to present evidence of the VFM initiatives that it had known were taking place
across the College. The Committee had been therefore pleased to receive at its last meeting a comprehensive report on all these initiatives.

29. Concluding his report, Mr. Hearn said that one of the key risks for the College at present was the impending upgrade of ICIS. The Audit Committee had reviewed the controls for this Project with the help of an external consultant who had made a number of recommendations. Provided these were implemented, the Committee was satisfied that the Project and its risks were being properly managed. In conclusion then, he said, the Committee was able to give the Council the necessary assurances that its responsibilities had been satisfactorily discharged.

Resolved: (i) That the appointment of PricewaterhouseCoopers as the College’s external auditors be formally extended for a period of two years.

(ii) That the position of the College’s external auditors be reviewed by the Council at the conclusion of this period in 2004.

(iii) That the Financial Statements for 2000-01, as set out in Paper II, be adopted.

REPORT BY THE FINANCE COMMITTEE (PAPER I)

30. The Honorary Treasurer and Chairman of the Finance Committee, Dr. Knight, introduced Paper I and highlighted, in particular, the Committee’s consideration of proposed capital projects. The Committee had, he said, been presented with a large number of projects that would be funded as part of the Science Research Investment Fund (SRIF) initiative and was recommending approval of those for which proper costings had been provided. The Committee had also approved the release of initial funds for the remaining projects to allow preliminary work to commence. These projects would be re-presented for approval once full costings had been prepared. Dr. Knight then drew members’ attention to the reports for each project which were appended to Paper I as he believed these provided a sound basis on which decisions could be made.

31. Concluding his report, Dr. Knight said that the Committee had also considered the results of a Review of Effective Financial Management which had been carried out by the College in accordance with the recommendations of the HEFCE Audit Service. As a result of this Review, the Committee had made seven recommendations for improvements, all of which were being taken forward by the Executive.

Resolved: (i) That the capital construction projects that make up the College’s Science Research Investment Fund (SRIF) programme, as set out in Paper I, be approved as follows:

(a) Engineering Research Workshop at a total project cost of £3.8M.
(b) Hydrodynamics Laboratory Refurbishment at a total project cost of £223,000.

(c) Biochemistry Building Infrastructure at a total project cost of £13.4M.

(d) Chemistry 1 Laboratory Refurbishments at a total project cost of £5M.

(e) Materials Processing and Characterisation at a total project cost of £2.8M.

(f) Physics SRIF Projects at a total project cost of £6.05M.

(g) SRIF elements of the St Mary’s Research Building Development at a total project cost of £15M.

(h) London E-science Centre at a total project cost of £3M.

(ii) That authority be given for the expenditure of the fees necessary to define the costs of the SRIF Projects relating to Innovative Chemical Manufacturing, the South Kensington Power Supply, and the Burlington Danes Development, as set out in Paper I, but that these Projects be re-submitted for final approval.

FINANCE MANAGEMENT REPORT (PAPER J)

32. Introducing Paper J, the Director of Finance, Mr. Cannon, said that the forecast surplus for the year 2001-02 was £4M. However, this would only be after disposals to the value of £5.3M. Mr. Cannon went on to say that, in contrast to the same point in the previous year, the College’s working capital position was considerably healthier. Although debtors had increased, this was due to the earlier billing of student fees. For the same reason many students were paying their fees earlier and this was reflected in the College’s cash position. Moving on to consider aged debts, Mr. Cannon acknowledged that there was still much to be done in this area. This would include writing-off those debts that the College would not be able to clear.

INVESTMENTS COMMITTEE ANNUAL REPORT (PAPER K)

33. The Honorary Treasurer and Chairman of the Investments Committee, Dr. Knight, introduced Paper K and made the general point that the previous year had been a confusing one for fund managers. Not only had there been considerable disparity of opinion between analysts, there had also been a degree of confusion over the direction of the UK economy. These difficulties had been reflected in the performance of the College’s fund managers. In particular, Dresdner RCM had achieved only –14.9%
Turning to consider performance in the current year to date, Dr. Knight said that there had already been a number of quite distinct phases. The period from July until 11th September had seen a continuation of the previous year’s confusion. After the attacks on the World Trade Centre there had been an immediate fall in values. However, since then there had been a sharp recovery with, for example, Capital International increasing its portfolio by 13%.

Dr. Knight then cautioned that a recent Court case could have significant implications for fund managers. As Governors would be aware, the Unilever Pension Fund had recently sued Merrill Lynch over their handling of its investment funds. The case had been settled out of court with Merrill Lynch paying Unilever £75M. He suggested that one result of this settlement would be that investment managers would be increasingly risk-averse and would stick to the benchmark set by organisations. This meant that the key investment decisions would become the level at which the benchmark was set by the Investments Committee.

ICIS UPGRADE (PAPER L)

36. The Director of Planning and Information, Dr. Eastwood, introduced Paper L and reminded Governors that, when ICIS had been installed in 1999, the College had made the prudent decision to implement the older Version 10.7 of Oracle Financials, even though Version 11 had then just become available. A number of other universities had installed Version 11 at about that time and, although the College had experienced a number of problems implementing the system, these were much less serious than the problems experienced by those other institutions. Version 11 was now, he said, more stable and support for Version 10.7 was being discontinued by Oracle. It would therefore be necessary for the College to upgrade to Version 11 before long. Furthermore, Version 11 would also be required for the implementation of the new Oracle student system, which the College would be purchasing. As Governors were aware, the upgrade Project was therefore well under way. A prime consideration, Dr. Eastwood stressed, was to minimise the risk for the College. As Mr. Hearn had noted during the Audit Committee Report, an external consultant had reviewed the Project and her recommendations were being implemented. However, because of the extra work undertaken to ensure the success of the Project, some additional funding would be required.

37. Dr. Eastwood then noted that it had always been the intention that the switch over to the new system, which had been planned to take place over the Christmas vacation, would only go ahead if the ICIS Executive were satisfied that all the elements for a successful implementation were in place. In the event, the ICIS Executive had met the previous day and, as not all the criteria had been met, it had decided to postpone the upgrade until the New Year.

38. Mr. Buxton expressed concern that Oracle should be removing software support for a system that had been implemented as recently as 1999. Dr. Eastwood replied that the
College had implemented Version 10.7 towards the end of its life cycle. Although the College had been prudent to do so, it had always been understood that an upgrade to Version 11 would be required sooner rather than later. Dr. Eastwood also noted that, in order for the system to remain relevant and for the College to take advantage of additional functionality, it was likely that the system would have to be upgraded approximately every 3 years. Mr. Hearn said that, as the Chairman of the Audit Committee, he was pleased that the College was playing safe and delaying the transfer to Version 11 by two months.

Resolved: That the upgrade of the ICIS system to Version 11 with a total project cost of £1.25M, as set out in Paper L, be approved.

CLERK’S BUSINESS

Fitness to Practise Medicine Procedure (Paper M)

39. The Academic Registrar, Mr. McClure, introduced Paper M and said that, although it was anathema to the College that non-academic reasons should be used to prevent a student completing their course, the changes proposed were a requirement of the Medical Act 1983 and the College had little option but to comply. The Principal of the Faculty of Medicine, Professor Sir Leszek Borysiewicz agreed, saying that it was important to note that disciplinary action would be taken against anyone who attempted to use these procedures maliciously.

Resolved: That the Fitness to Practise Medicine Procedure, as set out in Paper M, be approved.

New and Revised Regulations (Paper N)

40. The Clerk introduced Paper N and reminded Governors that these new and revised Regulations had been prepared to take account of the recommendations of the HEFCE Audit Service Report and because of the changes to the College’s structures as a result of the introduction of Faculties. The Deputy Chairman confirmed that the proposals had been seen and approved by the members of the Governance Committee. It was suggested that paragraph 2(2)(d) of Regulations 11, which concerned the purchase or disposal of land or buildings exceeding £1M in value, should be extended to include other assets exceeding £1M.

Resolved: That, subject to the incorporation of the minor amendment to Regulation 11, the revisions to Regulations A3, A5, A6 and A8 and the new Regulations A11 and A12, as set out in Paper N, be approved.