The Twenty-ninth Meeting of the Council was held in the Council Room, 170, Queen’s Gate at 10:30 a.m. on 28 March 2003, when there were present:

Lord Vincent (Chairman), Professor J. N. B. Bell, Professor Sir Leszek Borysiewicz, Dr. E. Buttle, Mr. P. Gershon, Mr. B. Gidoomal, Professor M. Green, Professor D. Griffiths, Professor M. P. Hassell, Mr. D. P. Hearn, Professor A. B. Kay, Professor F. Leppard, Mr. H. B. Lowe, Eur. Ing. A. D. Roche, Dr. B. G. Smith, Dame Rosemary Spencer, 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 Academic Registrar, the Director of Finance, the Director of Human Resources, the Director of ICT the Director of Policy and Planning, the Pro Rector for Development and Corporate Affairs, the Imperial College Union Observer and the Assistant Clerk to the Court and Council.

Apologies: Mr. G. Able, Professor Dame Julia Higgins, Professor S. P. F. Hughes, Dr. M. P. Knight, Mr. R. J. Margetts, Dame Judith Mayhew, Sir Alastair Morton, Professor G. H. C. New, Professor J. D. Perkins, Professor R. D. Rawlings, the Director of Estates and the Director of Strategy Development and Communications.

MINUTES

Council – 14 February 2003

1. The Minutes of the Twenty-eighth Meeting of the Council, held on 14 February 2003, were taken as read, confirmed and signed.

MATTERS ARISING

Sale of Cobham Sports Ground (Council Minutes, 14 February 2003, Minute 3)

2. In the absence of the Director of Estates, the Deputy Rector, Professor Bearman,
reported that the sale of Cobham Sports Field had still not been completed. Although
the potential purchasers were still keen to proceed, they were trying to obtain
planning permission and were reluctant to exchange until this had been secured. He
reminded the Council that the purchaser had stipulated that their identity should
remain confidential until the sale had been completed.

“Other Operating Income” (Council Minutes, 14 February 2003, Minute 31)

3. The Director of Finance, Mr. Cannon, recalled that Sir Alastair Morton had noted that
other operating income had been £71M in 2001 and £67M in 2002, but was forecast
at just £38M for the current year. Mr. Cannon explained that the apparent reduction
was caused by a difference in classification of income between the monthly finance
management report and the annual financial statements. Essentially, income from
Residences and Catering and Conferences was not included in ‘other operating
income’ during the year, but was classified as such in the Financial Statements. He
confirmed that there was no real reduction in income.

Burlington Danes (Council Minutes, 14 February 2003, Minutes 32 – 39)

4. In the absence of the Director of Estates, Professor Bearman reminded the Council
that the College was seeking an external partner to develop the Burlington Danes
Project. He reported that the College was still in discussion with a potential partner
and that it had agreed to extend the confidentiality agreement, which had been due to
expire at the end of March, for a further four weeks.

CHAIRMAN’S BUSINESS

Appointment of a New Chairman

5. The Chairman said that the Search Committee to identify his successor as Chairman
hoped to bring its work to a conclusion shortly and would bring a recommendation for
appointment to the Court and Council as soon as possible.

RECTOR’S BUSINESS

Staff Matters (Paper A)

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

BRITISH HEART FOUNDATION ENDOWMENT FUND (PAPER B)

7. The Director of Finance, Mr. Cannon, introduced Paper B. He reminded the Council
that it had previously agreed to the return of two endowments to the British Heart
Foundation (BHF) and this was, he said, a similar proposal. The College now had
one remaining endowment from the BHF, which funded a Chair of Cardiothoracic
Surgery at the NHLI. However, the Fund did not generate sufficient income to meet
the costs associated with this Chair and it was therefore proposed to return the endowment to the BHF, at their request. The BHF would then meet the full costs of the Chair. As the College was the trustee of this endowment, the agreement of Council was required before the endowment could be returned to the BHF.

8. Supporting the proposal, Professor Green said that this made sound financial sense for the College as it would no longer have to subsidise this Chair from its own resources.

Resolved: That the return to the British Heart Foundation of its endowment for the Chair of Cardiothoracic Surgery, as set out in Paper B, be approved.

REPORT FROM THE FINANCE COMMITTEE (PAPER C)

9. Since the Chairman of the Finance Committee, Dr. Knight, was unable to be present, for which he had apologised, the Deputy Rector introduced Paper B. He said that the proceeds of the £50M private placement had now been received and he confirmed that the arrangements for the European Investment Bank loan had also been completed. He reiterated the key relationship between the College’s debt service liability and the management of its non-core assets, which included the Estate and its intellectual property, and said that the Finance Committee would be monitoring these on behalf of the Council.

10. Moving on, he said that the College’s annual budgeting process had now commenced. This year for the first time the College had created a Strategic Investment Fund which would be used to finance strategic initiatives within the College and, in particular, to ensure that as many departments as possible were able to obtain a 6* rating in the next Research Assessment Exercise. Turning to the College’s capital projects, he said that the Tanaka Business School was progressing well. The building would also provide a new College entrance and attention had now turned to making the most of this important aspect. This would require some additional funding and the Director of Estates would therefore bring a paper to the next meeting of the Council to seek approval for this. At the same time, approval would also be sought for work to commence on the new Sports Hall in Prince’s Gardens.

11. Bringing his report to a close, Professor Bearman said that the College had seen a large increase in research activity in the last few years. Unfortunately, research management had not kept up with this rate of change and the administration of research grants had been highlighted by the Auditors as a weakness. The College had therefore conducted a major study of all aspects of research administration to improve the service and to make better use of IT. As a result of this review, the research administration function was being restructured and the College was investing in new computer systems to support the new Research Administration Management Programme (RAMP).

12. Dr. Wilbraham asked whether the Council would also receive regular reporting of the College’s debt servicing liability and the value of its non-core assets. Mr. Cannon confirmed that this information would be included in Finance Management Reports to
the Council.

13. Mr. Lowe noted that the proposed expenditure on the RAMP project had been justified by a business plan showing that this investment would be recouped within three years. He asked whether it was possible to make a similar argument for the investment in the new College entrance. The Rector said that the new entrance was extremely important, since one of the criticisms often levelled at the College was that it did not have a clearly defined entrance or public face. The College was a world-class institution and needed a prestigious entrance to match this. It would, he said, be money well spent. The Chairman agreed and reminded the Council that the entrance would lead through to the new Faculty Building and that together they would significantly enhance the impression given to visitors to Imperial.

14. Mr. Hearn said that the Audit Committee had been concerned about research administration for some time and he therefore welcomed the RAMP initiative. However, the College’s investment would be greater than just the capital costs of a new IT system and he asked if the RAMP Project would still make a positive return within three years when these other costs were also taken into account. Mr. Cannon agreed that the Project included a significant restructuring of the research support services area and that there would be additional costs as a result of this. However, he considered that the consequent improvements meant that the Project should recoup its costs within the stated time period.

15. The Rector reminded the Council that, under the White Paper, the Government was creating a 6* research rating. It had now been agreed that funding for 6* departments would be made available from 2003-04. Rather than trying to carry out a new assessment, as had originally been suggested, the HEFCE had now decided that those departments that had been rated 5* in both of the last two Research Assessment Exercises would now be given the 6* rating. To provide this additional funding, £20M had been removed from those departments with a 4 rating. The Rector was pleased to say that Imperial would be receiving some 25% of this additional £20M.

Resolved: That the capital expenditure of £1.98M on the IT systems required to deliver the Research Administration Management Programme (RAMP), as set out in Paper C, be approved.

FINANCE MANAGEMENT REPORT (PAPER D)

16. The Director of Finance introduced Paper D and noted that accompanying report now included a detailed commentary on the figures on most of its pages. He went on to say that the latest forecast showed a considerable improvement, with the operating deficit declining from £4.5M to £1.1M. After exceptional income, it was now forecast that the College would make a small surplus of £2M. Turning to the College’s predicted cash flow, Mr. Cannon noted that there were a number of capital projects awaiting approval. These were the new Sports Hall at an estimated £17M, the RAMP Project, which the Council had just approved, at £2M and the College’s contribution of £7M to the second round of the Strategic Research Investment Fund (SRIF 2). These Projects, together with the College’s current capital programme,
would use almost all of the £100M borrowing which Council had approved. Consequently, he said, if any additional projects were to be proposed, these would have to be funded from new income, from whatever source.

17. The Rector agreed, but reminded the Council that the £100M commitment included £30M for the Tanaka Business School. Dr. Tanaka had provided the College with a portfolio of investments valued at £30M and had also given the College a personal guarantee that, if this portfolio did not realise this sum within 5 years, he would meet the difference from his own funds.

18. Sir Peter Williams noted that the £100M borrowing was fully committed to existing and proposed capital projects and asked if there were any other projects not yet considered that would affect the College’s cash flow. The Rector confirmed that, with the exception of the three additional items referred to by Mr. Cannon, there were at present no further major projects to be funded by Imperial.

**SPIN-OUT COMPANIES (PAPER E)**

19. The Pro Rector for Development and Corporate Affairs, Dr. Maini, introduced Paper E by reminding the Council that it had previously asked to receive an annual report on the work of IC Innovations and, in particular, on the College’s spin-out companies. The major event in the previous year had, he said, been the formation of a Limited Liability Partnership with Fleming Family & Partners and Gordon House Asset Management. This had achieved three objectives. First, it had brought an additional £7.7M of exceptional income for the College. Second, as a result of this partnership, IC Innovations was now able to call on considerable professional expertise in the management of spin-out companies. This had enabled it to refocus its activities so that it was now able to offer additional support to existing companies as well as creating new ones. Third, it meant that the companies themselves now had access to additional funding streams as they continued to grow.

20. Dr. Maini then noted that the University Challenge Seed Fund was now nearly exhausted. This had provided seed funding for companies in the earliest phase of their development and the College had now to identify a replacement source for this. He was hopeful that a bid to the Higher Education Investment Fund (HEIF) would be successful in this regard. Moving on to the spin-out companies, Dr. Maini said that the market was very depressed at the moment and that the companies were therefore finding it increasingly difficult to attract additional outside investment. Consequently, he believed that more companies would have to be wound up in the course of the year, although he reminded the Council that this was part of the risk involved in spinning out companies. Even when the market was strong, it had to be expected that not all companies would survive. For this reason he thought the next few years would see a shift in emphasis from the creation of spin-out companies to licensing.

21. Dr. Vaughan concurred with Dr. Maini’s analysis and said that, if too many companies were established, there was always the risk that more of these would fail, which could cause a degree of unnecessary disappointment. It would be preferable,
she said, to manage expectations and only allow those companies with the best chance of succeeding to proceed. By creating fewer spin-outs, the College would also have more resources to invest in these companies to ensure that they had a higher chance of success. She suggested that the College Equity Committee should do more to ascertain whether the creation of a spin-out company was the most appropriate way of exploiting a particular idea. The Rector said that the Equity Committee was already rigorous in exploring the potential development routes for an invention. Where appropriate, academics were encouraged to look at licensing rather than the spin-out route. However, licensing would not always be the best route, and the Committee therefore needed to deal with these issues on a case-by-case basis, as indeed it was. Dr. Vaughan acknowledged that the equity market was particularly difficult at present. However, she said, in her experience the bad times outweighed the good, and usually took longer to recover from than was initially predicted.

22. Mr. Gidoomal queried whether there would be any contingent liabilities for the College arising from the failure of some of its spin-out companies. Mr. Cannon said that only a nominal value was included in the College’s accounts for its holdings in relation to its spin-out companies, but he agreed to confirm whether a failure could result in a contingent liability for the College. Mr. Gidoomal then asked if the College benchmarked itself against any other UK universities in the creation of spin-outs. Dr. Maini said that monitoring of the spin-outs was conducted with a number of different performance indicators and that the College led the UK in each set of criteria.

23. Dr. Vaughan noted that the Finance Management Report included the statement that “some of the debts billed by IC Innovations [were] likely to prove uncollectible” and that the “subject of Innovations’ billings and responsibility for debt collection [was] under review”. Dr. Maini and Mr. Cannon said that some of the spin-out companies placed contracts for research with the College, but that it was not always clear whether billing for this work was to be carried out by IC Innovations or Finance. The review referred to was intended to clarify which bills would be Innovations’ responsibility and which Finance’s.

24. Mr. Gidoomal asked if the College had an entrepreneurship strategy for inculcating an enterprise culture across the College as he felt this would be increasingly important in the future given the Government’s interest in promoting links between education and industry. The Rector said that the College encouraged an enterprise culture and noted that, as early as its first Charter in 1907, the College had had a specific object to apply knowledge to industry. Professor Griffiths agreed and noted that the Business School currently offered programmes in entrepreneurship for students across the College.

CLERK’S BUSINESS

Fitness to Practise Medicine Procedure (Paper F)

25. The Academic Registrar, Mr. McClure, introduced Paper F and reminded the Council that it had, in December 2001, approved the Fitness to Practise Medicine Procedure to take account of a flaw in the Medical Act 1983. The procedure was required to bar students from practising medicine where there was good reason for this. Although the
College was reluctant to stop a person from studying for other than academic reasons, it had no option but to have this procedure and it had been hoped that it would be used only rarely. Since it had been instituted, the College had had to use the procedure on only one occasion. However, that case had raised a number of questions and, as a result of this, the procedure had been reviewed internally and a number of amendments suggested. The College’s solicitors had also been asked to review the revised procedure from a legal standpoint. As a result of these changes, it was also proposed to revise the Student Discipline Code to ensure consistency. Mr. McClure went on to say that, since the procedure had first been approved, he had seen a number of other universities’ codes and had tried to incorporate into the revised procedure elements of best practice from elsewhere.

26. The Principal of the Faculty of Medicine, Professor Sir Leszek Borysiewicz, confirmed that there had been wide consultations on the proposed revisions and that the Faculty supported the proposals. He reminded the Council that the procedure was very draconian for students and had to be used sparingly. All medical schools were having to learn from experience, he said, and he felt that the revised procedure was at least as good as anything he had seen from any other medical school. The President of the Imperial College Union, Mr. Ganesh, also supported the revisions. The changes to the Student Discipline Code were also sensible, although he suggested that their impact on other procedures, such as the Union’s disciplinary code, would have to be considered.

27. Mr. Gidoomal said that he has recently been involved in a disciplinary case at another medical school and that the proposed procedure seemed to be both robust and well thought through. However, he felt that this underlined the need for pastoral care for students. Professor Sir Leszek Borysiewicz said that there were two members of staff in the Faculty employed to provide pastoral care for students. This was further supported by the system of tutors within the Faculty.

28. Dr. Vaughan, who had been involved in the case referred to by Mr. McClure, said that the proposed changes would address the particular problems that had arisen in that instance. Mr. McClure said that the revised procedures would take effect from 26 April 2003, and he undertook to promulgate them in advance of that date.

Resolved: That the revisions to the Fitness to Practise Medicine Procedure and the related amendments to the Student Discipline Code, as set out in Paper F, be approved and are to be effective from 26 April 2003.

Dates of Council Meetings 2003-04 (Paper G)


Resolved: That the dates for Council Meetings in 2003-04, as set out in Paper G, be approved.
ANY OTHER BUSINESS

30. Mr. Gidoomal said that, at the previous meeting, in response to Government’s proposals on access, it had been suggested that the College should produce a position paper setting out what Imperial was doing to encourage access and improve science teaching in schools. The Director of Policy and Planning, Dr. Eastwood, said that the College’s response to the White Paper had to be returned to the Government by the end of April. Unfortunately, this was before the next scheduled meeting of the Council. The draft response would therefore be considered by the Executive Committee and then circulated to Council members for comment in time to meet the Government’s deadline.