The Seventeenth Meeting of the Council was held in the Council Room, 170, Queen’s Gate at 2:00 p.m. on Friday 30\textsuperscript{th} March 2001, when there were present:

Lord Vincent (Chairman), Mr. W. L. Banks, Professor P. W. Bearman, Professor J. N. B. Bell, Professor Sir Leszek Borysiewicz, Dr. E. Buttle, Professor T. J. H. Clark, Professor I. J. Graham-Bryce, Professor M. Green, Professor M. G. Haines, Professor J. S. Higgins, Professor S. P. F. Hughes, Dr. D. P. Isherwood, Mr. H. B. Lowe, Mr. R. J. Margetts, The Hon. Mrs. Sara Morrison, Sir Alan Munro, Mr. H. M. Neal, Professor R. D. Rawlings, Dr. B. G. Smith, Dr. C. L. Vaughan, the Rector, the Deputy Rector and the President of the 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 Finance, the Director of Personnel, the Director of Planning and MIS, the Director of Research Support and Development and the Assistant Clerk to the Court and Council.

Apologies: Mr. G. Able, Mr. R. D. Buchanan-Dunlop, Mr. A. R. F. Buxton, Dr. M. P. Knight, Sir Stuart Lipton and Professor P. Poole-Wilson.

Welcome

The Chairman welcomed the Chairman of the Audit Committee, Mr Donald Hearn, who was attending the meeting to present the External Auditors’ Management Letter.

MINUTES

Council - 16\textsuperscript{th} February 2001

1. The Minutes of the Sixteenth Meeting of the Council, held on 16\textsuperscript{th} February 2001, were taken as read, confirmed and signed.
MATTERS ARISING

The Beit Refurbishment Project and the Sale of the Ice Rink Site (Council Minutes, 16th February 2001, Minutes 6 - 8)

2. The Director of Estates, Mr Caldwell, reminded the Council that, as reported at the Council’s meeting on 20th October 2000, additional funding of £2.94M had been agreed by Chairman’s action for the Beit Refurbishment Project. However, now that the Project was nearing completion, it appeared that this additional expenditure would be exceeded. Although he and the Chairman of the Estates Committee, Sir Stuart Lipton, were meeting with the contractors on a regular basis to try and keep any additional costs as low as possible, he cautioned that current estimates suggested that a further £1.5M would be required, with an additional contingency of £0.25M. Mr Caldwell went on to say that a major cause of these increased costs had been the amount of defective work left by the previous contractor, James Longley. This had meant that a lot of remedial work had had to be undertaken, particularly to the roof and to the building’s services. He would be making a full report to the next meeting of the Council on 18th May by which time the final costs of the Project should be known.

3. Turning to the sale of the Ice Rink Site, Mr Caldwell reported that the sale should be completed within the next two weeks. He reminded the Council that it had been estimated initially that the sale would realise £6M. This had been amended subsequently to £9M which had been included in this year’s budget forecasts. Mr Caldwell said that he hoped that the sale would now realise more than this latter estimate.

4. Professor Graham-Bryce asked whether the Beit Refurbishment Project would be completed on time, noting that the College would lose conference revenue if it was not. Mr Caldwell said that he was reasonably confident that the completion timetable would be met. The Estates Division was doing everything possible to ensure this. In particular, they had created a ‘finishing team’ which was responsible for inspecting areas of the building as soon as they were completed to cut down the time spent on snagging. Mr Margetts noted that it would be important to conduct a full post-project review to ensure that the College learnt from the problems it had experienced. The Chairman agreed, saying that it would be for the Estates Committee to conduct this review. Professor Bell asked for an assurance that the additional costs of completing the Project would not be passed on to the students who would be occupying the Hall. The Chairman confirmed that there was no intention to do so.

RECTOR’S BUSINESS

Staff Matters (Paper A)

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

Oral Reports

6. The Rector informed the Council that the College had recently been prosecuted by the Health and Safety Executive (HSE) for a failure to ensure that a Containment Level 3 laboratory at the Charing Cross and Westminster Campus was properly sealable for fumigation. Although the incident had occurred in 1998, shortly after the Medical School mergers, it had taken the HSE until last Autumn to decide to prosecute. In the event the College
had been fined £20,000 at Blackfriars Crown Court on 2nd March 2001 and had also been ordered to pay HSE costs of £11,229.61. Universal Safety Consultants, a wholly owned subsidiary of the College had also been fined £20,000 and ordered to pay costs of £12,033.36.

7. The Rector went on to say that, regrettably, there was another prosecution pending. This, too, related to an inspection by the HSE in 1998, this time at the St Mary’s Campus. It was alleged that work on a hybrid virus had commenced before final consent had been given by the HSE. The case was due to be heard in early April and its nature meant that, in addition to any penalties imposed by the Court, the College could suffer adverse publicity.

8. Finally, the Rector tabled a copy of a letter to all staff that he had published on the College Intranet concerning his thoughts for the future of the College. He explained that he would expand on this further in his report to the Court that afternoon.

MEMBERSHIP OF THE COURT, COUNCIL AND COUNCIL COMMITTEES (Paper B)

9. Introducing Paper B, the Clerk advised Governors that, although a person had been selected for every vacancy listed and all these nominees had been contacted to ascertain their willingness to serve, not all had responded as yet. Only those nominees who had responded positively were named in the Paper. In addition there was one vacancy on a Council Committee not noted in the document. This was the appointment of a successor to Sir Alan Munro on the Nominations Committee.

10. Dr Vaughan said that she was pleased to see the proposal that the Chairman of the Audit Committee, Mr Donald Hearn, should be appointed to the Council as this would strengthen the Council’s oversight of financial matters. The President of the ICU, Mr Common expressed his concern that there was currently only one lay member of the Athletics Committee as this Committee included a large student membership. The Chairman agreed but noted that the Clerk would be asking for volunteers to come forward for this Committee at the Court Meeting that afternoon.

Resolved: That the appointments to the Court, to the Council and to Council Committees as detailed in Paper B be approved.

REVIEW OF THE EFFECTIVENESS OF THE COUNCIL (Paper C)

11. The Hon. Mrs Sara Morrison, as Chairman of the Governance Committee, introduced Paper C, reminding the Council that the first draft of the Report on the Review of the Effectiveness of the Council had been presented to them in October. The Committee had then been asked to reconsider the draft Report in the light of Governors’ comments. Although it had taken longer than expected for the Committee to reconvene, this had turned out to be a fortuitous delay as it had meant that the Committee’s new members, Mr Lowe and Professor Bearman, had been able to make valuable contributions to the revised Paper. The Hon. Mrs Morrison reminded the Council that members’ comments on the first draft had concentrated on the need for an induction programme for Governors and for the Committee’s recommendations to be strengthened and made clearer. She hoped that any suggestion of complacency had now been removed from the Report and that its recommendations were now clear and positively stated.
In conclusion, she thanked the Clerk and the Assistant Clerk for their work in compiling the Report on behalf of the Committee.

12. Dr Vaughan welcomed the revised Report, suggesting that it could be used as the basis for the proposed induction programme for new Governors. Dr Smith agreed, although he asked that, before the Paper was used for that purpose, references in it to the College’s “Mission”, “Strategic Intent”, “Strategic Vision”, “Strategic Plan” and “Business Plan” should be reviewed to ensure that they were consistent. He also suggested that the terms of reference of the proposed Finance Committee should include consideration of the College’s Strategic Plan.

Resolved: That the recommendations of the Governance Committee as set out in Paper C be approved.

MANAGEMENT LETTER (Paper D)

13. The Chairman of the Audit Committee, Mr Hearn, introduced Paper D, noting that the Audit Committee had accepted nearly all the recommendations made by the External Auditors in the Management Letter. The one recommendation which it had questioned was that the College should consider setting up a Risk Management and Corporate Governance Committee as it was felt this was not in line with normal business practice.

14. Moving on to consider action taken since the audit, Mr Hearn reported that good progress was being made with bank reconciliation. As a result the Audit Committee’s concerns about the possible scope for fraud had now been allayed. However, the backlog of aged debts was proving more intractable. Research debts were getting older and more difficult to recover and it was now imperative that an appointment was made to the vacant position of Revenue Controller as soon as possible. Mr Hearn was pleased to report that the problems noted in the previous two Council Meetings were recognised fully by the staff working on them and there was a clear determination to take the necessary action to address them.

15. The Director of Finance, Mr Cannon, responded by acknowledging the present shortcomings in credit control. He agreed that the position of Revenue Controller was a key one, but it was proving difficult to find a suitable candidate for appointment. In the interim he had appointed a very experienced systems accountant on a short term contract, who would report direct to himself. He was also appointing a member of staff with specific responsibility to manage the College’s large amount of unallocated cash. Finally, he was working with consultants from Oracle to review the Division’s use of the new IT system as he believed that weaknesses in this had contributed to the failure of credit control in the previous year.

16. The Hon. Mrs Sara Morrison reported that the Governance Committee, at the request of the Chairman, had considered the External Auditors’ recommendation concerning the establishment of a Risk Management and Corporate Governance Committee. The Governance Committee had agreed with the conclusions of the Audit Committee that the consideration of risk management was not clearly related to the consideration of issues of corporate governance and that there was a danger that a committee considering risk management might have a considerable degree of overlap with the Audit Committee. The Governance Committee had also agreed with the Audit Committee’s suggestion that the most appropriate forum for the consideration of business risk was the Rector’s Executive Committee, with the Audit Committee retaining responsibility for reviewing the effectiveness of the Executive
Committee’s work in this area. This was the structure adopted in most commercial companies.

17. Dr Buttle agreed with this approach but suggested that the Council, as well as the Audit Committee, should be advised of the Executive Committee’s conclusions. She believed that it was important for the Council to have an understanding of the main risks facing the College. Mr Margetts agreed, saying that it was normal for a report of this kind to be presented to a company’s Board as well as its Audit Committee. He suggested that it would be appropriate for such a report to be presented to the Council twice a year. The Rector remarked that the greatest risk facing the College was that of failing to attract the right students and staff and that assessing the level of this risk and the many others facing Imperial, and determining what to do about them, would be a continuing, iterative process.

18. The Chairman informed the Council that the College had also recently been visited by the Higher Education Funding Council for England (HEFCE) Audit Service, but that the report of their review had not yet been finalised. He believed it was important that the recommendations contained in the Management Letter were considered by the College in tandem with those resulting from the HEFCE Review and that a co-ordinated approach was taken to address these recommendations.

19. Dr Vaughan noted that, in the Director of Finance’s summary of measures taken to address the issues raised in the Management Letter, there was a statement that the automatic bank reconciliation module of the new IT system was unlikely to reconcile more than 50 - 60% of all transactions. She asked if the College had been aware of this when it had purchased the system. Mr Cannon replied that the reconciliation module was not the most effective part of the Oracle system. However, it was not possible to cherry pick individual modules from different systems. The system had been chosen because it was the one that overall best met the needs of the College. Dr Smith said that the summary provided by the Director of Finance had been very helpful and asked if a similar summary could be provided at each Council Meeting. Mr Cannon confirmed that it was his intention to do so.

FINANCE MANAGEMENT REPORT (Paper E)

20. The Director of Finance, Mr Cannon, introduced Paper E and advised the Council that, although the Revised Financial Forecast, had been correct at the time of writing, it had, in the interim, been superseded by recent events. Firstly, as the Director of Estates had already mentioned, the sale of the Ice Rink Site should be completed within the next two weeks. This would realise in excess of the £9M previously included in the Financial Forecasts and would therefore improve the College’s projected out-turn considerably. Secondly, at a meeting held that morning, it had been agreed to dispose of a portion of the College’s shareholding in TurboGenSet. This should realise an additional £10 - 20M which would further improve the College’s finances. Both these items had been excluded from the forecasts contained in Paper E. With regard to the other variances noted in the Paper, the improvement in the College’s financial position would also serve to reduce the forecast for interest payments. Finally, he drew attention to the cash flow forecasts contained in the Report which, he stressed, had assumed a worst case scenario so as to provide a baseline against which progress could be measured. He assured the Council that he expected to do better than this.

21. Mr Margetts commented that the aged debts position was not improving and asked what the current situation was. Mr Cannon replied that last year’s Annual Accounts had included
provision for bad debts of £4.7M. This represented an increase of £1.5M on 1998-99. However, the College now had £15M in debts which were more than 12 months old and he acknowledged that progress in reducing these was an urgent priority. Mr Margetts agreed and asked that the Council should be informed of progress at each of its future meetings.

22. Professor Graham-Bryce remarked that the College’s cash flow was showing a continued negative balance and that this was an unsatisfactory situation for the College to be in. Mr Cannon agreed, but drew attention to the fact that the sale of the Ice Rink Site and TurboGenSet shares would mean that the College would shortly move to a positive balance. Professor Graham-Bryce went on to say that the clawback of the HEFCE grant, resulting as it did from a shortfall in student recruitment, was also a concern. The Rector agreed, saying that under-performance in student recruitment was one of the College’s principal risks. Although it would have been possible for the College to meet, and indeed exceed, its recruitment targets, this could only have been achieved if it had lowered its standards. This was something the College was not prepared to do. However, demanding high standards, combined with the costs of studying in London, meant that it was increasingly difficult to recruit enough students to meet the College’s targets. To tackle this it had been decided to appoint a Pro Rector for Admissions to review the College’s recruitment strategies and ensure that the shortfall was not repeated in future years. The President of the ICU, Mr Common, supported the Rector, saying that the Union agreed that Imperial should not drop its standards in order to recruit more students and offering the Union’s assistance to the Pro Rector for Admissions’ strategic review.

23. Dr Buttle recognised that a large proportion of the College’s debt was research-related. She suggested that it would be helpful to separate out research council debt from the College’s other aged debts as this would give a better idea of the scale of the problem facing the College. She went on to say that she supported the Rector’s plans to look for additional sources of funding and suggested that some of this additional income could be used to provide financial support for students to encourage them to study in London. The Rector agreed, but noted that the top priority was to start generating this additional income. Once the College was generating these funds it would be possible to consider offering scholarships to students. Returning to Dr Buttle’s earlier point, Mr Cannon said that it would be possible to identify research council debt separately and indeed this was already being done.

24. Sir Alan Munro suggested that one way of addressing the shortfall of student numbers would be to recruit more overseas students. He asked if HEFCE imposed a financial penalty on institutions taking more overseas students. The Deputy Rector confirmed that there was no penalty for doing so. However, he suggested that one of the reasons why overseas students came to Imperial was for the experience of studying in England at an English university. If there were too many overseas students on a particular course, this attraction would be lost.

25. Through the Chairman, the ICU Observer, Mr Pollard, asked the Rector for his views on student fees. The Rector reminded the Council that the College was not permitted, under current legislation, to charge top-up fees. However, he suggested that, even if the College was allowed to do so, the difference this would make to the College’s finances would not be significant. He believed the real issue would be the College’s ability to set up scholarship funds which could be used to provide financial assistance to undergraduate and postgraduate students. Changes to the Government’s rules regarding scholarships would therefore be of more use to the College than the ability to charge top-up fees.
26. Mr Hearn noted that transfers to specific reserves had been reduced by £3M, reflecting an anticipated reduction in the long term maintenance reserve. He asked whether there was a risk that this would adversely affect the College’s maintenance programme. The Rector assured him that maintenance provision was not being sacrificed, but that the College was now being more prescriptive about how this money was to be used. Concluding the discussion, the Chairman thanked the Director of Finance for his Report and commended it for its realistic assessment of the College’s position. He looked forward to receiving further such progress reports at future Council meetings.

SPIN OUT COMPANIES (Paper F)

27. Introducing Paper F, the Deputy Rector reminded the Council that, two years ago, it had agreed that it should receive an annual report on the College’s spin-out companies. This was the second such report. He drew attention to the table given under paragraph 4 of the Report which highlighted the level of development reached by the College’s companies. Of the 50 companies which had been spun out, two were now publicly quoted and 11 had raised funds in excess of £1M. This showed a maturing portfolio of companies and represented a significant investment for the College. This should also, over time, provide a significant return for Imperial and its academic staff. Although the return from the sale of TurboGenSet shares had been used to bolster the College’s financial position, in the future it was hoped that monies generated in this way would be used to provide new investment for College activities.

28. Moving on, the Deputy Rector reminded the Council that another source of investment in spin-out companies was the University Challenge Seed Fund. This too had been busy, with many new investments made. Already this year 14 new companies had been set up, 6 of which had been supported by the Seed Fund. However, a significant problem for all these ventures was the lack of space around the College to house small companies when they were in their development phase. The College was therefore considering opportunities for the development of a science park to provide incubator units and office space for spin-outs.

29. Professor Graham-Bryce commended the Deputy Rector on the progress made with these companies. He noted, however, that conflicts of interest could arise and asked whether there had been any tensions between the spin-out companies and the College’s submission to the Research Assessment Exercise. The Deputy Rector responded that, on the contrary, most of the spin-out companies had been funding further research within the College and, because a lot of the companies had grown quickly and been able to obtain external funding, they had not deprived the College of funds which could otherwise have been used to support research.

30. The Honorary Treasurer, Mr Banks, commented that the University Challenge Seed Fund had limited money at its disposal and that this would eventually be exhausted. It would be important therefore to identify additional funds to replace this vital source of initial investment. The Deputy Rector agreed, saying that the Seed Fund Investment Committee was considering ways in which it could realise some of its current investments in order to provide additional funds for re-investment in new companies.

CLERK’S BUSINESS

Proposed Changes to the Imperial College Union (ICU) Constitution and Regulations
(Paper G)

31. The Clerk introduced Paper G noting that this was being presented to the Council in tandem with the College’s revised Memorandum of Understanding with the Union so as to ensure consistency between the two documents. The President of the ICU, Mr Common informed Governors that the Constitution had been completely revised and changed in a number of important respects. In particular, he drew attention to the proposed change to the restrictions on sabbatical officers. In line with practice elsewhere and with the provisions of the 1994 Education Act, it would now be possible for students to have two sabbatical years’ leave either at the expense of the Union or of the College.

Resolved: That the Imperial College Union Constitution, including the change to the provisions for sabbatical officers, as set out in Paper G be approved.

Memorandum of Understanding with the Imperial College Union (Paper H)

32. The Clerk introduced Paper H by saying that the Memorandum of Understanding had been revised substantially and that the resultant document was now much more detailed. This should provide for greater clarity in the relationship between the College and the Union. All the revisions had been agreed with the Union and had been approved by its Council. However, the need for one final amendment had been noted after the papers had been circulated. It had been pointed out that paragraph 18, concerning the Complaints Procedure, was, as currently worded, inconsistent with the Student Complaints Procedure previously approved by the Council. This inconsistency was resolvable by the deletion of the phrase “if they are dissatisfied by their dealings with the ICU, or” in the first sentence of paragraph 18.

Resolved: (i) That the phrase “if they are dissatisfied by their dealings with the ICU, or” be deleted from the first sentence of paragraph 18 of the revised Memorandum of Understanding.

(ii) That, subject to the ICU Council’s acceptance of the amendment to paragraph 18, the revised Memorandum of Understanding with the Imperial College Union, as set out in Paper H, be approved.

ANY OTHER BUSINESS

Royal Albert Hall

33. The Chairman informed the Council of one item of additional business. This was that, under the terms of the Royal Albert Hall’s Charter, Imperial College appointed one member of the Council of the Corporation. This position was previously held by Lord Oxburgh as the Rector, although he had been represented at Corporation Meetings by Professor Chris Isham. The Secretary of the Corporation had asked if the Council could formally appoint a successor to Lord Oxburgh, and had indicated that the Corporation would be happy for the present arrangement to continue; that is for the Rector to be the appointed member but for him to be
represented by Professor Isham.

Resolvde: That the appointment of the Rector, Sir Richard Sykes, to the Council of the Corporation of the Royal Albert Hall be approved.