A Note by the Rector

GRADUATE SCHOOL OF ENGINEERING AND PHYSICAL SCIENCES

A new Graduate School of Engineering and Physical Sciences has been established with immediate effect and is expected to become fully operational by October 2002. It will operate within the framework of the following mission statement:

The Graduate School of Engineering and Physical Sciences will monitor and enhance the quality of postgraduate education in engineering and physical sciences at Imperial College, and will initiate and facilitate new interdisciplinary training programmes, in order to further enhance research training and excellence.

The first Director of the School will be Professor Dame Julia Higgins, FRS, FREng.

The new School complements the Graduate School of Life Sciences and Medicine established in June 1999 with Professor Mary Ritter as its first Director.

DEPUTY PRINCIPAL OF THE FACULTY OF MEDICINE

Professor Mark J. Walport, Head of the Division of Medicine and Professor of Medicine in the Faculty of Medicine, has accepted the new appointment of Deputy Principal of the Faculty of Medicine from 1 January 2002 to 31 December 2004.

HEAD OF KENNEDY INSTITUTE OF RHEUMATOLOGY DIVISION

Professor Marc Feldmann, Professor of Cellular Immunology and Deputy Head of the Kennedy Institute of Rheumatology Division in the Faculty of Medicine, has been appointed Head of Division with effect from 1 October 2002, for a period of five years, in succession to Professor R.N. Maini.

HEAD OF DEPARTMENT OF CHEMISTRY

Professor Richard H. Templer, Professor of Biophysical Chemistry, has accepted the appointment of Head of the Department of Chemistry in the Faculty of Physical Sciences from 1 September 2002, for a period of five years, in succession to Professor D. Phillips OBE, Hofmann Professor of Chemistry.
DIRECTOR OF ESTATES

Mr David Brooks-Wilson has been appointed to the post of Director of Estates with effect from 15 April 2002. Currently Chairman/CEO of Noble Wilson Ltd, a transaction-based property and real estate advisory company with offices in London, Hong Kong and Seoul, Mr Brooks-Wilson was formerly Eurotunnel’s Property Services Director responsible for property management and development on the UK and French terminals.

PROFESSORIAL APPOINTMENTS

Professor David J. Fisk, currently Chief Scientist and Director of Central Strategy at the Department of Transport, Local Government and the Regions has been appointed to the Royal Academy of Engineering/British Petroleum Chair in Engineering for Sustainable Development, in the Department of Civil and Environmental Engineering, Faculty of Engineering with effect from 1 March 2002.

Professor Ilpo Tapani Huhtaniemi, currently Professor of Reproductive Biology at the University of Aberdeen, Scotland and Professor and Chair of Physiology at the University of Turku in Finland has been appointed to the Chair in Reproductive Biology, Division of Paediatrics, Obstetrics and Gynaecology in the Faculty of Medicine based at the Hammersmith Campus, with effect from 1 April 2002.

Professor Charles A. Vincent, currently Professor of Psychology at University College London has accepted appointment to the Smith and Nephew Chair in Clinical Safety Research in the Division of Surgery, Anaesthetics and Intensive Care, Faculty of Medicine with effect from 1 September 2002.

VISITING PROFESSORS

Dr Roy R. Lobb, currently Senior Director of Research at Biogen Inc, Boston, USA, has been offered association with the College as Visiting Professor in the Division of Biomedical Sciences in the Faculty of Medicine with effect from 1 April 2002 for a period of one year.

Dr Brian J Tester, Chief of Turbomachinery Noise Engineering at Rolls Royce, has been offered association with the College as Visiting Professor in the Department of Mechanical Engineering, in the Faculty of Engineering with effect from 1 April 2002 for a period of three years.
INTRODUCTION

1. The Paper identifies current and forthcoming vacancies on the Council and the Court. The Nominations Committee met on 11 March 2001 to consider these vacancies and produced recommendations to fill the majority of them. Each of these recommendations has been followed up and, in the majority of cases, nominees have responded positively to their nomination to the Court and/ or the Council. However, a few vacancies remain to be confirmed. These are indicated in the tables below and will be reported to the next meeting of the Council.

MEMBERSHIP OF THE COUNCIL

2. **Membership of the Council.** A list of the current membership of the Council is attached at Annex A for information.

3. **Table 1 - Current and Future Vacancies.** The vacancies which will occur on the Council in the period up to October 2002, are shown in the table below. A call for nominations was circulated to members of the Court and within the College in February 2002 and the resulting nominations were considered by the Nominations Committee at its meeting in March, with the outcome as indicated in Columns (d) and (e):

<table>
<thead>
<tr>
<th>Current appointee</th>
<th>Appointed by</th>
<th>End of Term Date</th>
<th>Nominations Committee recommendation for appointment</th>
<th>Remarks</th>
</tr>
</thead>
<tbody>
<tr>
<td>The Hon. Mrs. Sara Morrison</td>
<td>Co-opted (The Crown)</td>
<td>March 2002</td>
<td></td>
<td>A candidate has been approached but has not yet indicated whether or not he will be able to accept appointment as a member of the Council.</td>
</tr>
<tr>
<td>Sir Stuart Lipton</td>
<td>Co-opted</td>
<td>June 2002</td>
<td></td>
<td>A candidate has been approached but has not yet indicated whether or not he will be able to accept appointment as a member of the Council.</td>
</tr>
</tbody>
</table>
MEMBERSHIP OF THE COURT

4. **Membership of the Court.** There are 65 members of the Court who will complete their current term of office in 2002. The majority will, however, be eligible for re-appointment to the Court for one further term. The list of current members of the Court is attached at Annex B for information.

5. **Table 2.** The following members of the Court will have completed two or more periods of office on the dates shown and will therefore be ineligible for re-appointment to the Court:

<table>
<thead>
<tr>
<th>Appointed by</th>
<th>End of Term Date</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>The Hon. Mrs. Sara Morrison (*)</strong></td>
<td>The Crown 25 March 2002</td>
</tr>
<tr>
<td><strong>Sir Stuart Lipton (*)</strong></td>
<td>Co-opted 30 June 2002</td>
</tr>
</tbody>
</table>

7. **Other Vacancies.**

a. **Crown Appointments.** There are three vacancies for members appointed by the Crown. One was created by the resignation of Mr Lawrence Banks, with the others being created by the retirement of the Hon. Mrs. Sara Morrison and Mr A.R.F. Buxton’s decision to retire as a member of the Court and Council at the end of this year. The Nominations Committee has agreed that, subject to the Council’s approval, the three new members of the Council noted in Table 1 above, should be recommended to the Privy Council for appointment by the Crown.

(*) Also a member of the Council
b. **Member of Parliament.** There is one remaining vacancy for a Member of Parliament. The Nominations Committee agreed to recommend that the Rt Hon. Michael Portillo MP should be invited to take up this position. Mr Portillo is the MP for the Royal Borough of Kensington and Chelsea and is therefore the local MP for the College’s main campus at South Kensington, as well as its Royal Brompton and Chelsea and Westminster campuses.

c. **Academic Staff.** The Court includes 24 members elected by, and from, the academic staff of the College. The current terms of office of 11 of these members expire in 2002 and a call for nominations was circulated to all the academic staff of the College in February. Although all members were eligible for re-election, only three nominations, for Professor J. N. B. Bell, Professor Dame Julia Higgins and Professor S. P. F. Hughes, have been received for the eleven vacancies.

d. **Academic-Related Staff.** The Court also includes 4 members elected by, and from, the academic-related staff of the College. The terms of office of all of these members expire in 2002, although they are all eligible for re-election. A call for nominations was circulated to all the academic-related staff of the College in February. Six nominations were received by the closing date and an election will now be held.

e. **Co-opted Members.** The Court includes positions for up to 30 co-opted members. Nine of these positions are currently vacant and the Nominations Committee has previously recommended that these vacancies should be kept open in order to permit new lay members of Council committees to be co-opted onto the Court. Of the 21 current co-opted members, the terms of office of 8 will expire this year. These are:

<table>
<thead>
<tr>
<th>Name</th>
<th>Appointed by</th>
<th>End of Term Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sir Stuart Lipton (*)</td>
<td>Co-opted</td>
<td>30 June 2002</td>
</tr>
<tr>
<td>Mr DP Hearn (*)</td>
<td>Co-opted</td>
<td>1 October 2002</td>
</tr>
<tr>
<td>Mr DRL Duncan</td>
<td>Co-opted</td>
<td>1 October 2002</td>
</tr>
<tr>
<td>Mr SR Ward</td>
<td>Co-opted</td>
<td>1 October 2002</td>
</tr>
<tr>
<td>Mr WA Manson</td>
<td>Co-opted</td>
<td>1 October 2002</td>
</tr>
<tr>
<td>Mr IE Linaker</td>
<td>Co-opted</td>
<td>1 October 2002</td>
</tr>
<tr>
<td>Lady Rees Mogg</td>
<td>Co-opted</td>
<td>1 October 2002</td>
</tr>
<tr>
<td>Cllr. Mrs. A Mallinson</td>
<td>Co-opted</td>
<td>1 October 2002</td>
</tr>
</tbody>
</table>

The Nominations Committee has recommended that, with the exception of Sir Stuart Lipton who is not eligible for re-appointment, all these co-opted members should be recommended for re-appointment.

**COMMITTEES**

8. **Health and Safety Audit Committee.** There were two outstanding vacancies for lay members on the Health and Safety Audit Committee. The Nominations Committee has
recommended that Professor R. Himsworth, an existing member of the Court, and Professor D. Jeffries, the Head of Department of Medical Microbiology at St. Bartholomew’s Hospital, be appointed to these vacancies.

9. **Remuneration Committee.** A vacancy on the Remuneration Committee will be created by Mr. A R F Buxton’s decision to retire as a member of the Court and Council. The Nominations Committee has recommended that one of the new members of the Council noted in Table 1 above should be appointed to this vacancy.

KAM
April 2002
THE COUNCIL OF IMPERIAL COLLEGE OF SCIENCE, TECHNOLOGY & MEDICINE

Chairman
Field Marshal the Lord Vincent of Coleshill GBE, KCB, DSO

Court Nominees
Mr Graham Able
Eur Ing A D Roche
Dr David J Wilbraham

University of London Nominee
Miss Judith Mayhew

Co-opted External Members
Dr Eileen Buttle CBE
Mr Andrew R F Buxton
Mr Donald P Hearn
Dr Martin P Knight
Sir Stuart A Lipton
Mr H B Lowe
Mr Robert J Margetts CB
Dr Bruce Gordon Smith CBE
Dame Rosemary Spencer DCMG
Dr Caroline L Vaughan
Sir Alastair Morton
vacancy

Ex-Officio
Rector
Deputy Rector

Senior Staff Representatives
Professor Sir Leszek Borysiewicz
Professor Malcolm Green
Professor Rees D Rawlings
Professor John D Perkins
Professor John B Pendry
Professor Mike P Hassell

Elected Staff (Engineering)
Professor Dame Julia S Higgins
Dr D Paul Isherwood

Elected Staff (Medicine)
Professor Sean P F Hughes
Professor Philip Poole-Wilson

Elected Staff (Science)
Professor J Nigel Bell
Professor David Phillips OBE

President, Imperial College Union
Mr Sen Ganesh

Clerk to the Court and Council
Mr K A Mitcheson OBE
Annex B

THE COURT OF
IMPERIAL COLLEGE OF SCIENCE, TECHNOLOGY & MEDICINE

Appointed Members

Appointed by The Crown
Field Marshal the Lord Vincent of Coleshill GBE, KCB, DSO
Mr Andrew R F Buxton
Ms Charlotte Lucy Chothia
Mr Trevor Phillips
Two vacancies

University of London
Dame Stella Rimington, DCB
Miss Judith Mayhew LLM

Worshipful Company of Goldsmiths
Professor Richard Himsworth MD, FRCP

Worshipful Company of Clothworkers
Mr Richard H Jones

City and Guilds of London Institute
Mr Christopher Humphries CBE
Dr David J Wilbraham
Mr David Young

City and Guilds of London Institute (Worshipful Society of Apothecaries)
One vacancy

City and Guilds of London Institute (Worshipful Company of Armourers and Brasiers)
Rear Admiral Patrick Middleton CB

City and Guilds of London Institute (Worshipful Company of Bakers)
Mr Alan R Willis

City and Guilds of London Institute (Worshipful Company of Carmen)
Mr John E Ratcliff

City and Guilds of London Institute (Worshipful Company of Fishmongers)
Mr Peter J S Lumsden CBE

City and Guilds of London Institute (Worshipful Company of Founders)
Mr Richard A Lewis JP

City and Guilds of London Institute (Worshipful Company of Leather Sellers)
Mr Francis J M Kinsman

City and Guilds of London Institute (Worshipful Company of Mercers)

Dr Stephen T Crump
City and Guilds of London Institute (Worshipful Company of Scientific Instrument Makers)
Mr William J Goldfinch OBE

City and Guilds of London Institute (Worshipful Company of Skinners)
Professor Richard Batchelor

Royal Commission for the Exhibition of 1851
Dr Caroline L Vaughan
Mr G Clergehugh

Royal Society
Professor Sir David Davies CBE
Professor Ernest Hondros

Royal Academy of Engineering
Professor G F Hewitt
Dr M Shears CBE FREng

Royal Society of Chemistry
Dr D Giachardi

Royal College of Physicians
Professor David Robin London

Royal College of Surgeons
Professor Valerie Lund FRCS

Royal College of Anaesthetists
Professor Ronald M Jones

Royal College of General Practitioners
Dr William Reith

Royal College of Obstetrics & Gynaecologists
Lord Patel

Royal College of Ophthalmologists
Mr P A Hunter

Royal College of Pathologists
Professor Edward C Gordon-Smith

Royal College of Psychiatrists
Vacancy

Royal College of Radiologists
Professor Graham Bydder

Royal College of Paediatrics and Child Health
Professor D Hall
Annex B

Royal Aeronautical Society
Dr Geoffrey G Pope CB

Royal Statistical Society
Professor D J Hand

Royal Institution of Naval Architects
Professor John van Griethuysen

Institution of Chemical Engineers
Dr Trevor J Evans

Institution of Civil Engineers
Mr David Hattersley

Institution of Electrical Engineers
Professor Charles Sandbank

Institution of Mechanical Engineers
Eur Ing Anthony D Roche

Institution of Mining and Metallurgy
Dr John D G Groom

Institute of Biology
Professor Alan D B Malcolm

Institute of Management
Mr Christopher Edge

Institute of Materials
Dr. C Corti

Institute of Physics
Professor Dennis W Hill

Society of Chemical Industry
One vacancy

British Computer Society
Mr N Geoffrey McMullen

British Society for the History of Science
Professor Ludmilla J Jordanova

Head Teacher appointed by the Head Masters' Conference
Mr Graham Able

Head Teacher appointed by the Girls' Schools Association
Miss Susan A Ross

Head teachers appointed by the Secondary Heads' Association
Mr M Noble
Mr P O'Shea

Local Authorities

Councillor John Corbet-Singleton CBE (The Royal Borough of Kensington & Chelsea)
Councillor Andrew Allum (City of Westminster)
Councillor Dr Jenny Vaughan (London Borough of Hammersmith & Fulham)
Councillor J Webb (Royal Borough of Windsor & Maidenhead)

Government of the Commonwealth of Australia
Ms C Jack

Government of Canada
Dr Caroline Martin

Government of India
Mr M C Das

Government of New Zealand
Professor Robin Carrell

High Commission for Pakistan
Mr M K Raja

Government of the Republic of South Africa
one vacancy

Government of the Republic of Sri Lanka
Mr J Palipane

Secretary of States for Foreign & Commonwealth Affairs
Mr. M. Reilly

Imperial College Union
Deputy President (Finance and Services)
Deputy President (Clubs and Societies)
President, City and Guilds Constituent College Union
President, Royal College of Science Constituent College Union
President, Royal School of Mines Constituent College Union
President, Imperial College School of Medicine Union

Royal College of Art
Professor Sir Christopher Frayling

Royal College of Music
Dr Jeremy N Cox

Trustees of the Science Museum
Dr Anne Grocock

Trustees of the Natural History Museum
Dr Nigel Chalmers

Trustees of The Victoria and Albert Museum
Mr Anthony Burton
The Corporation of the Hall of Arts and Science,
Royal Albert Hall
Mr C Fairweather

Members of the Commons House of Parliament
Mr Mark Field MP
Mr Clive Soley MP
one vacancy

Ex Officio
The Rector
The Deputy Rector
Pro Rectors
Deans
Faculty Principals
Faculty Vice Principals
President, ICU
Presidents of the Constituent College Associations

Elected Staff Representatives (Engineering)
Professor John S Burland
Ms Susan Eisenbach
Ms Dorothy S Griffiths
Professor Dame Julia S Higgins
Dr D Paul Isherwood
Professor Jonathan Kydd
Dr Alison Payne
Professor J Gordon Williams

Elected Staff Representatives (Medicine)
Professor John Caldwell
Professor Brian Foxwell
Professor Frances Gotch
Professor Sean P F Hughes
Professor A Barry Kay
Professor Philip Poole-Wilson
Professor Rory J Shaw
Professor Howard C Thomas

Elected Staff Representatives (Science)
Professor James Barber
Professor J Nigel Bell
Professor Kenneth W Buck
Professor Geoffrey H C New
Professor David Phillips
Dr Lynda V White
two vacancies

Academic Related Staff
Ms Laura Barker BSC, FGS
Mrs Anne Barrett BA, MA, DIPLIB
Dr T Hefin Jones PHD
Mr Nigel Wheatley BA

Co-opted Members
Mr Garth Bickerton
M. C. Black

Dr Eileen Buttle CBE
Mr D Richard L Duncan
Mr David Elleray
Mr Michael Green
Mr Spencer de Grey CBE
Mr Donald P Hearn
Professor Donald Jeffries
Dr Martin P Knight
Mr Simon Leathers
Mr L E Linaker
Sir Stuart Lipton
Mr Hugh Lowe
Cllr Mrs Anne Mallinson
Mr W Alistair Manson
Mr Robert J Margetts CB
Lady Rees-Mogg
Sir Alastair Morton
Dr Alan W Rudge CBE
Dr Bruce Gordon Smith CBE
Dame Rosemary Spencer DCMG
Mr David Trench
Dr Graham H Tuttle
Mr Simon Ward

Clerk to the Court and Council
Mr K A Mitcheson OBE
PAPER C

EXTERNAL AUDITORS’ MANAGEMENT LETTER

A Note by the Director of Finance

1. A copy of the External Auditors’ Management Letter to the Council is attached. I will update the Council on progress on implementing the Auditors’ recommendations at the Meeting.

ASD Cannon
The Members of the Council  
Imperial College of Science, Technology & Medicine  
Exhibition Road  
London  
SW7 2AZ  

January 2002  

Ladies and Gentlemen  

Audit for the Year Ended 31 July 2001  

We have completed our external audit of Imperial College of Science, Technology & Medicine’s (the College) Financial Statements and provided an unqualified opinion following approval of the Financial Statements by Council on 14th December 2001.  

Each year, we also report to the Council, as required by the Higher Education Funding Council for England (HEFCE) Audit Code of Practice, in the form of a Management Letter. This is intended to be a constructive document, highlighting for Members of the Council the key issues which arose during the course of our audit.  

There are a number of important issues contained in the Management Letter, which we have discussed with College management and the Audit Committee during the course of the audit process. The Management Letter has been formally considered by the Audit Committee at its meeting on 30th January 2002.  

For ease of reference the Management Letter is structured as follows:  

Section I  Scope of our audit  
Section II  Review of the year  
Section III  Significant audit issues  
Section IV  Other audit issues  
Section V  Issues for 2001/02  
Appendix A  Audit Responsibilities  

We have also issued a detailed Internal Control Report to management, which sets out all of the detailed findings arising from our work. This report has been agreed with management and presented to the Audit Committee.  

It should be appreciated that the matters dealt with in this Management Letter came to our notice during the conduct of our normal audit procedures, which we carried out in accordance with the requirements of the Audit Code of Practice for the HEFCE. The Letter does not purport to provide information or advice to any person not associated with
the College, and we accept no responsibility to such persons. Specifically, the Letter should not be interpreted as providing legal advice to the College or any other person.

We would like to express our thanks to the management and staff at the College for the assistance given to us during the course of our work.

Yours faithfully

PricewaterhouseCoopers

Enclosure
Section 1 - Scope of our Audit

1. The scope of our audit of Imperial College’s Financial Statements, into which the Imperial College Union Financial Statements are consolidated, is set out in full in Appendix A. In addition to providing an audit opinion on these statements, we also provide separate audit opinions on seven subsidiary company accounts, listed below.

2. As in previous years, the College has consolidated all of its subsidiaries in compliance with the SORP, namely:

- Imperial College Innovations Ltd;
- Imperial College Company Maker Ltd;
- Imperial College Consultants Ltd (not audited by PricewaterhouseCoopers);
- Imperial Activities Ltd;
- Imperial College (S) Pte Ltd;
- Extracalm Co Ltd.
- RPMS Technology Ltd;
- Universal Safety Consultants Ltd; and

3. Westway Graphics Ltd and Kempe Environmental are both subsidiaries of the College but are now dormant having ceased trading.

4. We have audited the consolidation of the subsidiaries within the College and are satisfied that in accounting for the subsidiaries, the College has not materially departed from the requirements of the SORP and the Companies Act 1985.

5. Companies in which the College’s investment represents an associate undertaking (as defined by Financial Reporting Standard 9), have also been consolidated in the Financial Statements. The relevant companies and the College’s interest in their share capital are as follows:

- Imperial College Press Ltd, 49%;
- Process Systems Enterprise Ltd, 35%;
- National Resources International Ltd, 50%;
- Sterix Ltd, 24.5%.
6. The College also has a quasi-subsidiary in the form of a charitable company providing Library services to Wye College for Imperial College, Kempe Library Foundation. This company has been audited by PricewaterhouseCoopers and fully consolidated into the Financial Statements for the year ending 31 July 2001.
Section II - Review of the Year

Financial Performance in 2000/2001

7. The College achieved a surplus of £16.4m in 2000/01 (£11.7m for 1999/00).

8. The College’s total income for 2000/01 was £390m (£339m for 1999/00). This increase has been due to a number of factors:

- The activities of Wye College and the Kennedy Institute added approximately £18.5m to income;
- Income in relation to research grants has increased as contracts and projects agreed with research sponsors in the previous year have become live adding approximately £24m to income (20% of Research Grant income);
- Other increases have come from Funding Council grants and other operating income, including the proceeds arising from the disposal of assets.

9. The College’s surplus for the year was largely achieved due to the exceptional income from the sale of land held by the College (income of £16.5m) and part of the TurboGenset investment holding during the financial year (income of £1.4m).

10. The College’s working capital position has improved during 2001 with the following notable changes:

- Decrease in debtors of £2.6m;
- Increase in cash at bank and in hand of £8.5m; and an
- Increase in short term creditors of £2.6m.

11. Although the College has taken some positive steps in addressing its working capital position we have noted that a number of areas still require detailed review:

- During 2001 Research Grant work in progress debtors increased by £6.5m (27.8% increase). Although partly related to the larger level of awarded projects beginning during 2001, the increase in Research Grant work in progress debtors highlights issues surrounding raising and chasing of invoices for research grants;
- Although general debts have decreased during the year (£7.8m), a significant amount of work remains to ensure that debts are chased and collected as efficiently and effectively as possible.
• The provision for bad debts has increased during the year and the College will need to continue reviewing the level of debts held on the sales ledger and the collectability of those debts;

• The College still holds an unsecured loan of £13m with Barclays Bank which is subject to annual review; and

• The College’s creditors have increased by £3.3m during 2001 to £7.7m.

12. The College is carrying forward total reserves of £126.4m compared to those brought forward at the beginning of the year of £107.5m. The revaluation reserve held by the College in relation to TurboGenset has remained relatively unchanged although significant market fluctuations during the year have impacted upon the income earned from the sale of these shares and at the 30th November 2001 this investment was valued at £12.1m.

13. It is College policy to maintain a general reserve plus a number of specific reserves. The College’s most significant reserves are for Capital Buildings (£37.5m) and Equipment (£8m), which reflect the internal funding of the College’s capital schemes. These reserves are earmarked to match future depreciation charges but are available for other purposes.

14. The College’s general reserve has now been increased to £26.7 million from £11.9 million in 1999/00. This reserve provides a safety net to cover any future deficits on the College’s Income and Expenditure account and is also available to be used on future capital projects.

**Merger with Wye College**

15. The College merged with Wye College on 1 August 2000. The total value of acquired net assets was £16.6million.

16. We have reviewed the treatment of the merger within the Financial Statements of the College for the year and have ensured that the accounting treatment complied with the rules specified under Financial Reporting Standard (FRS) 6 – Acquisitions and Mergers and FRS 7 – Fair Values in acquisition accounting.

**Oracle Financial System upgrade**

17. We commented in our 1999/2000 management letter on the implementation of the Oracle financial system. We raised in our letter the need for the College to review in the second year of implementation the areas that required further work to deliver the potential benefits that the new financial system offers. We noted during the year that the College was planning an upgrade to the Oracle financial system during December 2001.

18. We will review the implementation of this upgrade during our work on the 2001/02 financial year.
Budgetary Control Framework

19. During the course of our audit we visited and interviewed a number of heads of departments to examine and document the system of budgetary control in operation. Concerns had previously been raised regarding the clarity and quality of the financial information and the impact that this had on some of the day to day aspects of financial and budgetary control. We reviewed this area in particular, and identified controls that departments used to monitor their budgets during the year and action over/under spends. This approach was taken to enable us place additional reliance upon the systems in place within the College both centrally and departmentally.

20. We reported on these issues in our Interim Planning Letter in May 2001. The points that were noted were as follows:

- **Financial Information Reporting** – A number of departments commented that reports received were too cumbersome to use effectively during day-to-day operations. The System User Group had been established to examine these issues;

- **Departmental budgetary control** – Although reporting and control was generally satisfactory within departments, we had noted that there were large differences between departments over how they examined and reviewed the monthly budget position. A number of departments had produced bespoke Discoverer reports to better aid their control of budgets. Ideas of this nature had not been shared across departments.; and

- **Research Monitoring** – Although we noted that some departments were adequately reviewing and monitoring the position of research grants, there was a general feeling that departments believed that it was not their responsibility to monitor on an operational basis the performance of individual projects. We noted, in particular, that controls were weak in the following areas:
  
  - Ensuring that all finished projects are closed and final report drafted to ensure receipt of final income;
  
  - Ensuring that donated assets for research were recorded on the College fixed asset registers; and
  
  - Ensure that all deficit research grants are closely monitored with variances being explained by principal investigators.

21. We would recommend that the College review these issues to ensure that the clarity and quality of the financial information being presented is not impacting negatively upon the day to day aspects of financial and budgetary control.
Section III Significant Audit Issues

22. We are pleased to note that the College has taken significant steps during 2000/01 to address concerns and recommendations raised during the previous audit. Significant audit issues raised in the past have been examined during the year and updated below. Whilst the major areas have been addressed satisfactorily by the College, allowing us to issue an unqualified audit opinion on the Financial Statements, there are a number of points that will need to be addressed by the College in the forthcoming year.

23. Section IV examines other audit issues that whilst not significant are clearly important for the College to examine and review so that they do not escalate in their impact for future years.

Contingent Liability – The Facility

24. The College in 1999/2000 identified a potential decommissioning cost from its specialist engineering facility. A note was included within the Financial Statements as the cost and timing was then uncertain.

25. The College reviewed this treatment during the year due to the fact that the value of decommissioning costs may be material to the Financial Statements. Under Financial Reporting Standard 12 the College is required to disclose future liabilities as a provision within its accounts.

26. Upon review we have agreed that further comments regarding the nature of the facility should be included within the Financial Statements and the note has been altered to reflect the current position. A provision has not however been created. Although the College believes that, if necessary, the costs associated with decommissioning could be met from internal resources, this would clearly have a knock-on effect on the capital programme.

27. As more information becomes available on the decommissioning, its costs and timescale, the College and its auditors will need to review the current accounting treatment and the implications of this.

Bank reconciliation

28. We reviewed the position relating to the reconciliation of the College’s main bank accounts during the year. Significant progress had been made with the reconciliation being completed for a number of months during the year which we examined (December 2000, January 2001 and February 2001). Consistent differences had occurred on these reconciliations, however, these were found to be system errors and were cleared subsequent to the production of the year-end bank reconciliation.

29. The year-end bank reconciliation was produced and, whilst system corrections still have to be made in the general ledger during 2001/02, these had been separately identified and the actual reconciliation balanced fully.
30. Although we have been given sufficient comfort over the bank reconciliation for the year we have a number of recommendations that the College will need to consider during 2001/02.

31. The College should continue to review the time and resources that are required to manually match balances within the bank reconciliation process. Whilst we acknowledge that this is due to the complexities of the accounts receivable system and the auto-reconciling package, this impacts upon the timely production of the month-end reconciliations. Once robust systems have been identified for the timely production of the bank reconciliation, procedure notes should be documented.

All bank reconciliations should be completed for 2001/02 on a monthly basis.

Accounts Receivable and Payable reconciliations

32. The reconciliations for both the accounts receivable and accounts payable functions had been completed for the year-end.

33. The accounts payable reconciliation had been fully reconciled throughout the year and no issues remained in relation to this process. The College should ensure that all reconciliations are continually completed and reviewed by a College officer independent to the process.

34. We reviewed the progress made in fully reconciling the main accounts receivable reconciliation. This reconciliation is split into two parts, an internal reconciliation and the main reconciliation between the aged debt report and the general ledger accounts.

35. The accounts receivable reconciliation had not been fully reconciled at the year end despite reconciliations being completed and fully reconciled up to May 2001. Whilst we acknowledge that the difference is immaterial to the accounts being £11,485 this still presents a control issue especially given the fact that other months had been reconciled during the year.

36. The College should ensure that the reconciliation is completed. All reconciling balances identified as requiring clearance should be investigated as a matter of urgency and written off or adjusted as required.

Bad Debt provision

37. In Section II we commented upon the College’s progress in reviewing and reducing the size of its debtors. Part of this reduction can be associated to the increase in bad debt provision at the year end. At 31 July 2001, the College’s provision was £5.9million (an increase of £1.2million from 2000).

38. The provision has been calculated as in 1999/2000 using a standard formula to provide against the non-collection of debts regarded as being at risk based upon the age of these debts over the past four years with associated provision percentage rates. However, in
2000/01 the College has taken a prudent view in providing against debts previously regarded as non-risk, for example those relating to some research-sponsoring bodies. These have been provided for at lower percentage rates.

39. We regarded this approach as prudent and this method has given us comfort over the level of debtors held by the College during 2000/01.

40. During 2001/02 the College will need to review its aged debt level and corresponding collection rates to ensure that the provision is being calculated using the most prudent basis. Once a past history of collection rates can be established the College should then ensure that targets are established for benchmarking and performance.

Income control accounts

41. During work conducted on the sales ledger to general ledger reconciliation it was noted that there were large balances on the ‘On Account Receipts’ and ‘Unapplied Receipts’ control accounts. This issue had been raised in 1999/00.

42. The balances had been reviewed during the year but significant balances still remained to be cleared and reconciled to the accounts receivable system. The balances at the year end were £9.3million credit (On Account Receipts) and £2.4million debit (Unapplied Receipts).

43. Our concern in relation to these balances was that they had not been promptly posted to the correct account and that they could represent a material misstatement of income in the Financial Statements.

44. After performing additional work the College was able to satisfy us that the amounts held on these accounts had no material effect on the Income and Expenditure account, as the majority represented amounts received from Research Grant sponsoring bodies which have no Income and Expenditure effect. In addition, during our review we noted the majority of balances were timing issues and that a large level of debts on the unapplied receipts account would actually cancel out with the on accounts receipts account over time.

45. However, these amounts should have been cleared on a regular basis throughout the year to ensure that individual research grant accounts were up-to-date and to provide the basis for sound financial management information.

46. The College should ensure that effective procedures are in place to clear income control accounts on a regular basis (re-raised from 1999/2000).
Section IV - Other Audit Issues

Register of Interest forms

47. As part of our review of the College’s related party disclosures during we review the register of interests to ensure that all material and significant disclosures had been made in the Financial Statements. During our audit work we noted that a number of these forms had not been returned by members of staff holding senior posts. These included:

- Members of the Council (5); and,
- Members of the Senior Management Team (5).

48. The College should ensure that register of interest forms are received from all senior members of staff and those associated with the College who influence it on a regular basis. This will ensure compliance with FRS 8 and the Companies Act with regards to disclosing all material and significant related parties.

Payroll control accounts

49. As part of our systems work we have reviewed the framework of monitoring controls in operation over the payroll function. We were pleased to note that recommendations had been implemented from 1999/2000 and that robust monitoring controls had now been established. However, we noted that there were still significant issues surrounding the timely production and reconciliation of payroll control accounts.

50. The payroll control accounts are produced and reconciled although differences identified in any given month are rolled forward and remain uncleared. Given the sensitivity surrounding payroll these differences may indicate staff being paid incorrect amounts or discrepancies occurring on the payroll system that are not being cleared on a regular basis. Whilst not material to the accounts this represents a control weakness within the system. In addition to the payroll control accounts, a number of pension control accounts are reconciled during the year. At the time of the audit we noted that no year-end reconciliation had been completed for the USS and SAUL schemes.

51. The College should ensure that all payroll and pension reconciliations are completed on a timely basis. All identified reconciling items should be reviewed and cleared on a timely basis with adjustments being made to the payroll system where necessary.

Research Grant monitoring controls

52. The College’s financial position depends in part upon the successful financial management of the many research projects in progress. One of the contributory factors in the College’s weakened cashflow in 1999/2000 was the failure to invoice research grant bodies and chase these debts. We noted in Section I that research grant work in progress had increased significantly during the year. Although we have previously noted that this increase is partly as a result of the increased level of awarded projects coming on stream during 2001, we have also raised concerns over the monitoring and collection of research debts.
53. Upon review of research grants we noted that limited monitoring was conducted during the year. The controls expected would be as follows:

- Review of overspent research grants during the financial year, seeking explanations where necessary;
- Review of static research grants to ensure that grants were achieving objectives originally agreed in the contract; and
- Monitoring of income to individual grants to ensure that invoicing had been completed and/or profiled payments had been received.

54. The College should ensure that adequate central monitoring over research grants takes place in the areas identified to maintain financial stability.

Endowment Funds

55. We raised a number of recommendations during 2000 with regard to the administration of endowment funds at the College. We are pleased to note that work has begun on examining these issues despite significant changes within the endowment finance function of the College. The main issues still to be reviewed are as follows:

- There were 7 endowment funds in deficit at the year end (25 in 1999/2000) which ranged from £3k to £28k in value;
- Quarterly reporting for endowment fund administrators had not been achieved and in some cases it was still unclear as to who was administering the endowment fund; and,
- Endowment fund supporting papers (e.g. original endowment and objects of the fund) could not be located in all cases. A central filing system is not held for the endowment funds within the College with some held in finance and others within departments.

56. We recommend the following:

- The College should review individual funds and ensure that they are able to be spent in line with the terms of the original endowment. Where this is not possible, the College should consider whether these funds can be grouped under an ‘umbrella’ arrangement to be spent collectively for wider purposes;
- Appropriate officers should be nominated to authorise expenditure from funds in line with College policies;
• All endowment funds administrators should be identified and quarterly reporting established. All supporting documentation for endowments should be maintained centrally. A review of the objectives of each fund should be completed to ensure that all funds are operating within specified objects.

Financial Reporting Standard (FRS) 17 – Retirement Benefits

57. The objective of FRS 17 ‘Retirement Benefits’ is to ensure that the Financial Statements of an entity reflect at fair value the assets and the liabilities arising from an employer’s retirement benefit obligations. FRS 17 is fully applicable to accounting periods ending on or after 22 June 2003, however there are disclosure requirements, which must be complied with for accounting periods ending on or after 22 June 2001.

58. For accounting periods ending on or after 22 June 2001 disclosure of the fair value of the scheme’s assets, the present value of the scheme liabilities and the resulting surplus or deficit at the balance sheet date should be given in a note to the Financial Statements. The fair value of the assets held by the scheme should be analysed between equities, bonds and other assets and the expected rate of return for each class of asset should be disclosed.

59. The College has four pension schemes for staff, of which the principal schemes are the Universities Superannuation Scheme (USS), the Superannuation Arrangements of the University of London (SAUL) and the Federated Pension Scheme (FPS). The FPS is a defined benefit group scheme and has been disclosed as such. The SAUL and USS schemes, where the College’s individual assets and liabilities are not separately identifiable, are therefore treated as defined contribution schemes and no further disclosures are required under FRS 17.

60. We pleased to note that the College has complied with FRS 17 in the 2000/01 Financial Statements.

FRS 18 – Accounting Policies

61. FRS 18 was also applicable to the College during 2000/01. We have reviewed the application of the FRS during the year with the College and noted that there was no significant impact upon the 2000/01 Financial Statements. Full details of any changes in accounting policies and/or additional disclosure of material accounting estimates have been incorporated into the Financial Statements.

62. The College will need to continually review its accounting policies during 2001/02 to ensure that they are still appropriate under any changes in circumstances.

Subsidiary companies

63. Given the issues surrounding subsidiary and associated companies of the College during 1999/2000 we conducted significant planning work for the audit of the 2000/01 Financial Statements. Despite this extensive planning and preparation with the Group Accounting Section of the College we have not been able to finalise the accounts for a number of the companies. Work still remains to be completed on the following subsidiary companies:
• IC Innovations Ltd; and

• Universal Safety Consultants.

64. The issues surrounding the above companies are still under review by the management of the individual companies. Once issues have been resolved it is hoped that unqualified audit opinions will be issued.

65. The audit of the College’s remaining subsidiary and associated companies for 2000/2001 has been completed and unqualified opinions have been/will be issued on these once the respective annual general meetings have been held:

• IC Press Ltd;

• Imperial Activities Ltd;

• Imperial College (S) Pte Ltd;

• Extracalm Ltd;

• RPMS Technology; and

• IC Company Maker.

66. For each of the companies/associates audited during the year we have raised a number of issues/recommendations that will be presented to the directors once audit opinions have been issued. IC Innovations and Universal Safety Consultants points will be raised once the audit has been completed.

**Intercompany balances**

67. The Group Accounting section of the College performs individual company intercompany reconciliations. The College reviews intercompany balances on consolidation with all balances on the College general ledger being compared to those being reported in the subsidiary Financial Statements.

68. We noted on consolidation that intercompany differences had appeared on the following subsidiaries:

• IC Innovations Ltd;

• IC Singapore Pte Ltd;

• Universal Safety Consultants; and

• RPMST.
69. During the audit of the subsidiaries we noted that intercompany reconciliations had been completed and the differences identified were due to timing differences (e.g. wrongly posted journals that needed to be reversed in the subsequent period). The correction of these differences in the new year would result in the ledgers reconciling.

70. The College and Subsidiaries need to ensure that communication is held over the review of intercompany balances. Reconciliations performed should be discussed with all parties and a nominated individual should be responsible for clearing the reconciliation on a monthly basis. All correcting journals should be posted prior to the close down of the accounts to ensure that balances are fairly stated.
Section V - Issues for 2001/02

Corporate Governance

71. The Turnbull Committee issued its final guidance on internal control reporting on 27 September 1999. The guidance is designed to assist management in complying with the internal control requirements of the Combined Code of Corporate Governance. The intention of the Turnbull report is to move corporate governance away from being an isolated year end exercise to an integrated management process with more involvement from the College.

72. The scope of the Turnbull guidance is broader than that of the previous Cadbury guidance in that the review procedures must cover business, operational and compliance risks and controls as well as financial risks and controls. The process must be explicitly risk-based and subject to both review and assessment by the Council of the College. It requires that the Council use its judgement to assess whether or not it has complied.

73. The guidance from the HEFCE anticipates that all institutions will be able to report full compliance with the Turnbull guidance from the 2002/03 financial year, although some institutions may be able to report earlier compliance.

74. In order to achieve this timescale, an institution should have all its risk management and internal control processes agreed and in place by August 2002. This is a challenging timescale and means that all institutions should consider how best to implement Turnbull guidance within their institutional structure.

75. The College has included a corporate governance statement within the 2000/01 Financial Statements. We are not required to provide a formal opinion on this statement, but have reviewed this statement for reasonableness against the audited Financial Statements and taking into account our wider knowledge of the College. We have raised no issues as a result of this review.

76. The College has taken significant steps to analyse its risks and has held a risk workshop with the senior management team in order to identify and development of a comprehensive analysis of the operational and business risks that face the College. The College will need to ensure that they begin to develop policies and procedures that will mitigate the potential impact of those identified risks. This process will be ongoing during 2001/02.

77. The College should continue to review the operational and business risks confronting the College and establish policies and procedures to mitigate the potential impact of those identified risks.
Transparency Review

78. All Higher Education Institutions are required to introduce transparent costing mechanisms for research, teaching and other activities. This will involve the identification of cost drivers both for staff costs and non-staff costs. Full transparency reporting for 2000/01 is due by the 31 January 2002. Future reporting submissions will coincide with the annual Financial Statements reporting deadlines (i.e. 31 December).

79. The College is currently awaiting the OST report covering the findings of the recent Transparency Review and we will review the outcome of this process.

Higher Education Review

80. The DfES has announced a review of the higher education sector aimed at increasing diversity and meeting the needs of students of the future. The review will help the sector to:

- Widen participation and ensure the Government’s target of half the population entering higher education by the time they reach 30 is met;
- Maintain the UK’s lead as one of the world’s foremost research nations;
- Increase links with industry;
- Maintain high standards in teaching and learning; and
- Ensure the structures are in place to meet these challenges.

81. We will review the outcome of this report once it has been completed and discuss the findings with the College.
Appendix A – Scope and Audit Responsibilities

Audit Responsibilities

Our audit duties and responsibilities for the 2000/2001 financial year are set out in the Code of Audit Practice issued by the Higher Education Funding Council for England (HEFCE). The Code requires the auditor to “give an independent assessment of whether”:

- The Financial Statements give a true and fair view of the income and expenditure and state of the affairs of Imperial College;
- Funds from whatever source, administered by Imperial College for specific purposes, have been properly applied for those purposes;
- Funds provided by the HEFCE have been applied in accordance with the Financial Memorandum; and
- The College’s Financial Statements comply with the Statement of Recommended Practice on Accounting in Higher Education Institutions.

As auditors, we discharge these responsibilities by providing, in accordance with the Code:

- An audit opinion on the Financial Statements, which refers to all the matters above;
- A Management Letter summarising the audit activities and highlighting any significant matters; and
- An internal control report, addressed to management, detailing recommendations on possible improvements to accounting controls, which came to our attention during our audit.

During final audit we were able to discharge our responsibilities by conducting the following procedures:

- Agreeing the balances in the Financial Statements to the College’s financial systems,
- Testing year-end reconciliations and the reconciliation of control accounts,
- Testing the adequacy of year-end cut-off procedures,
- Testing the application of specific funds to ensure that funds have been applied for the purpose intended,
- Explaining unexpected movements in balances through analytical review processes.
both between the 1999/00 and 2000/01 Financial Statements and against budget,

- Agreeing disclosure consistent with the Statement of Recommended Practice in Higher Education Institutions,

- Confirming that the College has complied with the terms of its financial memorandum with HEFCE.
REVISED FINANCIAL FORECAST 2001/02

1. The last forecast result for the year submitted to Council showed an operating deficit before asset disposals of £1.1M and a surplus from asset disposals of £5.35M, making a net surplus of £4.2M. The forecast has now been revised to reflect:

   a. The latest income estimates;

   b. The latest estimates for infrastructure costs (support/administrative departments and non-departmental costs) resulting from the 2002/03 Planning Round; and

   c. A change in forecast asset disposals.

2. These are all commented on below. Following these changes the operating deficit is now projected to be £1.6M and the net result after asset disposals is projected to be a surplus of £6.4M.

3. The latest income estimate has risen by £2.8M due to:

   a. Higher earmarked grants from HEFCE (£2.0M - mainly the balance of the Wye grant and a grant towards rewarding and developing staff);

   b. An increase in the estimate for student fees (£1.6M) based on student numbers at December 2001;

   c. Offset by a projected reduction of £0.8M in other operating income (mainly the loss of Harlington gravel extraction royalties - £0.4M).

4. The latest estimates for costs, which incorporate the results from the non-academic Planning Round, show an expected outturn of £2.9M higher than budget. The main reasons for this increase are:

   a. An increase in Premises costs of £1.3M, mainly due to the receipt of prior-year invoices for utility costs and an element of restructuring;

   b. An increase in Finance costs of £1.4M, due to the un-budgeted employment of Faculty Finance Officers, the employment of temporary staff (to assist in dealing with long-outstanding control issues and to assist with the Oracle 11i upgrade), an increase in
interest payable due to an under-accrual last year, and an allowance for write-offs expected to be required this year as old accounting issues are addressed;

c. A forecast increase in non-departmental costs of £0.8M, mainly as a result of utilisation of specific reserve balances.

5. In addition, other expenses have risen in line with the extra HEFCE funding.

6. The budget for exceptional income included the sale of TurboGenset shares at £5.0M and sales of properties at £0.35M. Both have been deleted. Disposals of TurboGenset shares are now unlikely to be made before the financial year-end as the market for shares of this type continues to be difficult, and the properties are also unlikely to be sold before the end of the financial year. However, the anticipated proceeds of sale of a 30% interest in the IC Innovations portfolio of some 38 companies, expected to produce around £8.0M net of costs, has now been included as there is an expectation that it can be concluded before the financial year-end.

WORKING CAPITAL

7. We have agreed with Barclays Bank to replace the £13M loan with a £13M Committed Money Market Facility. This is at the same cost (33bp over LIBOR) but gives us the flexibility to draw upon it when required, and is already providing significant interest savings. It is due to expire at 31 July 2002 but it is intended to renew it at that date.

8. The latest balance sheet figures available at the time of writing (28 March) are as at 28 February. Cash at that date was £11.0M (of which £6.8M was held on behalf of subsidiary companies) compared with net borrowings (loan less cash) at the last year-end of £4.4M, an improvement of £15.4M. This is mainly due to improved debt collection.

9. Invoiced debtors as at 28 February were £60.8M. As the aged debt summary shows, this is £17.3M lower than the balance 12 months previously (£78.1M). The over 12-month element shows an improvement of £4.2M against the position of a year ago. The trend against debtor balances one, two and three years ago is shown in the chart. The current year trend is flattered by earlier billing and collection of student debt, but nevertheless it would appear that the trend is firmly in the right direction. An early estimate of the 31 March debtor balance suggests that this downward trend is being maintained. Making further substantial progress in debt collection will depend on the implementation of the upgraded version of the Oracle financial software - now scheduled to take place at the end of April.

INFORMATION BY COST CENTRE

10. Forecasts for Academic cost centres have not been revised as their Planning Round has not yet commenced. As at the end of February, as a whole they showed a favourable variance of £1.5M. The main improvements were in Medicine, up by £0.9M, and Physical Sciences, up by £0.5M.
11. As at the end of February, Support Services have an overall adverse variance against their revised forecast of £0.4M. This is more than accounted for by Estates and Utilities variances, but most of these are expected to be reversed by the financial year-end.

12. Business Activities show an overall favourable variance of £0.7M, to which IC Innovations, Icon and CBS have all contributed.

**PRO RECTOR'S RESERVES AND CAPITAL EXPENDITURE FUNDS**

13. In accordance with a decision of the Executive Committee, £2.4M of the Pro Rector's Reserve of £4.2M has now been allocated between Faculties and the Centre. Of the balance of £1.9M, approximately £1.6M has been committed, leaving £0.25M uncommitted.

14. Expenditure this year to date on externally funded capital projects amounts to £7.3M. Income in the year to date totalled £8.0M. Capital expenditure not claimed as at the end of the month amounts to £7.7M.

ASD Cannon
PAPER E

BRITISH HEART FOUNDATION ENDOWMENTS

A Note by the Principal of the Faculty of Medicine

BACKGROUND

1. The College currently holds three endowments from the British Heart Foundation (BHF) for support of three Chairs (one in Cardiology and two in Cardiothoracic Surgery) in the NHLI Division in the Faculty of Medicine. The income from these endowments, which were made at various times over the past twenty-five years, was intended to cover the cost of the Chairs, and two support posts for two of the Chairs. Over the years interest from the capital endowments has not kept pace with salaries, and no longer covers the salary costs.

2. This issue has arisen at other universities, and the BHF have recognised the problem. They wish to be seen to support the salaries of their Chairs and support staff appropriately. They have therefore introduced a scheme whereby, in exchange for return of the capital endowments, they will undertake to pay the full costs of the salaries of the Chairs and agreed support staff. This rearrangement has been approved by the Charity Commissioners, and has already taken place at Newcastle University, while others are in the pipeline.

3. It is therefore proposed that the College return the capital endowments for support of three Chairs to the British Heart Foundation, in return for long term BHF research funding of these Chairs and their support posts.

The Endowments

4. The following table shows the value of the BHF endowments calculated at 31 December 2001 by the College’s Finance Division, the income credited to NHLI Division from each endowment for 2001/2 and the salary costs for 2001/2.

<table>
<thead>
<tr>
<th>Endowment</th>
<th>Value 31/12/01 (£K)</th>
<th>Income 2001/2 (£K)</th>
<th>Expenses 2001/2 (£K)</th>
</tr>
</thead>
<tbody>
<tr>
<td>BH22 Cardiovascular Medicine (Haskard)</td>
<td>1,246</td>
<td>41.4</td>
<td>139</td>
</tr>
<tr>
<td>BH23 Cardiovascular Surgery (Taylor)</td>
<td>1,780</td>
<td>56.9</td>
<td>151</td>
</tr>
<tr>
<td>E16 Chair of Surgery (Yacoub)</td>
<td>936</td>
<td>31.0</td>
<td>80</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>3,962</strong></td>
<td><strong>129.3</strong></td>
<td><strong>370</strong></td>
</tr>
</tbody>
</table>
5. Thus, the additional support for these Chairs from NHLI general funds in 2001/2 (whole year) is £241K. This cost would be covered in future by the BHF if their proposal is accepted.

6. It is estimated that the proposed arrangement would also lead to an additional HEFCE vote in the region of £115K p.a. until the next Research Assessment Exercise, assuming that these charitable funds from the BHF are transferred to Imperial by means of a research grant, as proposed.

**BHF COMMITMENTS**

7. The BHF have agreed to fund the Chair holders and their support staff to their normal retirement dates, increasing salary payments in line with costs. There is a risk that the BHF may choose not to continue funding the Chair at the College if the existing Chair holder moves to another university, or retires. However, the BHF have indicated that this is unlikely as they are looking to increase the number of BHF Chairs nationwide, and they would look favourably on a proposal from Imperial for continuation of these longstanding Chairs.

8. Professor Sir Magdi Yacoub retired at the end of September 2001 and his Chair is currently vacant. His replacement is under discussion with the BHF who have indicated that they would fund a new Chair-holder, and provide two support posts in addition, adding a further £80K p.a. to their support at NHLI. Discussions as to the nature of the replacement are in progress.

**SUMMARY**

9. The Council is asked to agree that the BHF endowments be returned to the BHF, in return for the BHF continuing to cover the costs of the Chairs and support staff. The direct benefits of this new arrangement to Imperial will be a minimum of £240K p.a. This benefit will be increased by the increase in HEFCE vote income to the College (approximately £115K p.a.), by the salary costs of two support staff for the Yacoub replacement (approximately £80K p.a.), and by covering potential gaps due to salary inflation. The financial benefits (up to £450K p.a.) are considerable and the risks are small.

L. Borysiewicz
PAPER F

SPIN OUT COMPANIES

A Note by the Pro Rector (Public & Corporate Affairs)

BACKGROUND

1. In the last few years the College has taken deliberate actions to encourage the exploitation of its technology through the creation of spin-out companies as a complement to the more conventional route of licensing. The activity, managed for the College by IC Innovations (its wholly-owned subsidiary), is now a significant part of the work of that Company. It is conducted with the main aim of attracting and retaining world-class staff with the subsidiary expectation of income in the future.

2. The Council previously agreed that it should receive an annual report on the College’s spin-out companies and this Paper is the third of these.

LIST OF EXISTING COMPANIES

3. The creation of spin-out companies continues as a major part of IC Innovations’ activities to support the College’s core mission. The College now holds stakes in a portfolio of over 50 companies, addressing a very broad range of technologies and markets. The ‘deal flow’ of company creation continues at above one company per month. A detailed report on the companies and additional information is attached at Annex A.¹

4. The portfolio of spin-out companies can be considered in terms of the stage of development of the companies as follows:

<table>
<thead>
<tr>
<th>Stage of Development</th>
<th>Number of Companies</th>
<th>April 2001</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recently founded (or in the process of being founded), little or no finance raised (very early stage ideas omitted from full document)</td>
<td>7</td>
<td>19</td>
</tr>
<tr>
<td>Less than £1M raised</td>
<td>26</td>
<td>15</td>
</tr>
<tr>
<td>More than £1M raised</td>
<td>18</td>
<td>11</td>
</tr>
<tr>
<td>Publicly quoted</td>
<td>2</td>
<td>2</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>53</strong></td>
<td><strong>47</strong></td>
</tr>
</tbody>
</table>

This illustrates a maturing portfolio of companies which represent a substantial investment for the College.

¹ As this confidential information is commercially sensitive, Annex A has not been included with these Minutes.
ACTIVITIES OF THE LAST YEAR

5. The principal events of the last year include:

a. **University Challenge Seed Fund.** This Fund continues to provide pathfinder investment (up to £25,000) and seed funding (up to £250,000) in support of early stage companies.

b. The College’s Equity Committee has approved 12 new companies since March 2001 which are yet to be formed.

c. The capability within the College for entrepreneurship continues to be developed. Activities include IP seminars for academics, monthly awareness meetings, inventor network events, directors’ workshops and three day programmes to develop entrepreneurial skills. These have all been well attended, with increasing interest being shown.

d. Negotiations are well advanced to sell 30% of the IC Innovation’s shareholding of 37 companies within the portfolio with IC Innovations Ltd retaining a 70% interest.

e. Activity is underway to raise further funds through one of the key research areas (Bio-Engineering) of the College.

f. Longer term asset growth through technology transfer remains buoyant, with 35 licensing deals being developed and a further 270 projects being worked on with a view to licence.

5. As the number of College spin-outs grows, an issue of increasing importance is providing them with a location - particularly in their early years. It is clear that the informal incubation provided within the College to new start-ups has contributed to their success and the College is now giving attention to the possibility of establishing incubator space to formalise this process.

6. Developing companies will typically remain in an incubator for only two to three years, so the College is also giving attention to extending its participation in science parks, at least partly to provide facilities for the next phase of growth of the companies originating from the cutting edge research carried out within the College.

Dr Tidu Maini
PAPER G

PROPOSED REVISION OF THE COLLEGE’S STATUTES

A Note by the Clerk

INTRODUCTION

1. Members will recall that in March 2000 the Council and the Court agreed various changes to the College’s Charter and Statutes. In the main these changes were necessitated by the College’s merger with Wye College in August 2000 and were required to reflect the provisions of the Heads of Agreement between Imperial and Wye. However, at the same time the Statutes were reviewed and some additional changes proposed. The two most important of these additional changes were that the College should be granted the power to award its own degrees, and that there should be some relaxation in the current limit placed on the maximum length of service of members of the Court and Council.

2. Following their approval by Special Resolution, these proposed changes to the Charter and Statutes were submitted to the Privy Council for consideration in June 2000. To date, the Privy Council has not responded to the College’s submission. None of the proposed changes will come into force until they have been approved by the Privy Council.

FURTHER REVISIONS

3. Since the revised Charter and Statutes were submitted to the Privy Council, the College’s structure has altered significantly with the introduction of Faculties and cross-Departmental Graduate Schools. The Principals of the Faculties and the Directors of the Graduate Schools will have an important role in providing academic leadership within the College and it is therefore important that they are represented on the Senate, which is the supreme academic authority of the College. However, with the exception of the Principal of the School of Medicine, it is not, at present, possible to include the Principals of the Faculties or the Directors of the Graduate Schools as *ex officio* members of the Senate. It is therefore proposed to further revise the section of the Statutes concerned with the membership of the Senate to take account of this.

REVISIONS TO THE STATUTES

4. In the document headed ‘Revisions to the Statutes (April 2002)’, a copy of which is attached as Annex A to this Paper, the wording of the proposed amendments to the existing text of the Statutes is underlined and the words which are to be deleted are struck out with a line through them. The amendments approved by the Council in March 2000, but not yet approved by the Privy Council have also been indicated in the Annex. These have been italicised to distinguish them from the revisions now proposed.
5. The Charter requires that any proposed amendments, either to itself or to the Statutes, are approved by Special Resolution of the Council before they are submitted to the Privy Council (1). The Charter also lays down (2) that “a "Special Resolution" means a resolution passed at a meeting, of which at least 21 days' notice has been given, of not less than two thirds of the members of the Council by a majority of not less than three quarters of those present and voting at the meeting”.

6. The Council is asked, in accordance with the provisions of Article 17 of the Royal Charter of the College, to approve by Special Resolution the proposed amendments to the Statutes of the College as set out in the document headed ‘Revisions to the Statutes (April 2002)’.

K.A.M.

1. Article 17 of the 1998 Charter. “The Council may add to, amend or revoke the Statutes by Special Resolution, provided that no new Statute, addition, amendment or revocation shall have effect until it has been approved by the Lords of Our Most Honourable Privy Council, of which approval a certificate under the hand of the Clerk of Our Privy Council shall be conclusive evidence”.

Article 20 of the 1998 Charter. “The Council may at any time seek to add to, amend or revoke any of the provisions of this Our Charter by Special Resolution, and any such addition, amendment or revocation if approved by the Court shall, when allowed by Us, Our Heirs or Successors in Council, have effect so that this Our Charter shall thereafter continue and operate as if it had been originally granted and made as so added to, amended or revoked, and this provision shall apply to this Our Charter as so revoked or varied.”

1. DEFINITION OF TERMS

(1) In these Statutes and the Appendix thereto words bear the same meaning as in the Charter and, unless the context otherwise requires;

(a) “the Charter” means the Charter of the Imperial College of Science, Technology and Medicine granted in 1998 to which these Statutes are scheduled;

(b) “Regulation” means a Regulation made by the Council in accordance with the Charter and these Statutes;

(c) “staff” means persons employed by the College;

(d) “academic staff” means those persons employed by the College who (having successfully completed any relevant probationary period) have the title of Professor, Reader, Senior Lecturer or Lecturer at the College or are appointed to any other post designated by the Council as a post on the academic staff of the College;

(e) “academic-related staff” means persons employed by the College in those grades designated by the Council as academic-related grades;

(f) “the appointed day” means the date on which the Charter to which these Statutes are scheduled comes into effect;

(g) “external members” means members of the Council who are not persons holding honorary status in the College as defined by Regulation, or students of the College, the University, or any other College of the University;

(i) “elected members” means persons as defined by Regulation for the purpose of election;

(j) “students” means persons registered for courses of study at the College;

(k) any reference to a numbered Statute shall be taken to refer to the Statute of such number in these Statutes.

(2) Pro Rectors, Provosts, Principals, Vice-Principals, Directors of Graduate Schools and Deans for the purpose of appointment or election shall be as defined by Regulation.
(3) Except where the context otherwise requires, words importing the singular number shall include the plural number and words importing the masculine gender shall include the feminine gender and vice versa.

2. MEMBERSHIP OF THE COLLEGE

The following persons shall be Members of the College:

(1) The Members of the Court;
    The Members of the Council;
    The Fellows;
    The Academic and Academic-Related Staff;
    The Students.

(2) The Council, following consultation with the Senate, shall have the power to declare such other persons or categories of persons Members of the College as it shall determine, in accordance with procedures prescribed by Regulation.

(3) The Council shall have power, at the request of a member, to release that person from membership of the College, subject to the agreement of that person to continue to observe the Charter, Statutes and Regulations of the College.

3. THE COURT

(1) Membership of the Court

The Court shall consist of the following persons:

(a) Ex officio Members

Rector
Deputy Rector
Pro Rectors
Deans
Principals
Vice Principals
Provosts
President of the Imperial College Union
Presidents of the Old Students’ Associations

(b) Appointed Members

6 appointed by the Sovereign in Council
2 appointed by the University of London
1 appointed by the Goldsmiths’ Company
1 appointed by the Clothworkers’ Company
13 appointed by the City and Guilds of London Institute, of whom 10 should be members of City Livery Companies other than the Goldsmiths’ Company and the Clothworkers’ Company
2 appointed by the Royal Commissioners for the Exhibition of 1851
2 appointed by the Royal Society
2 appointed by the Royal Academy of Engineering
1 appointed by the Royal Society of Chemistry
1 appointed by the Royal College of Physicians
1 appointed by the Royal College of Surgeons of England
1 appointed by the Royal College of Anaesthetists
1 appointed by the Royal College of General Practitioners
1 appointed by the Royal College of Obstetricians and Gynaecologists
1 appointed by the Royal College of Ophthalmologists
1 appointed by the Royal College of Pathologists
1 appointed by the Royal College of Psychiatrists
1 appointed by the Royal College of Radiologists
1 appointed by the Royal College of Paediatrics and Child Health
1 appointed by the Royal Aeronautical Society
1 appointed by the Royal Statistical Society
1 appointed by the Royal Institution of Naval Architects
1 appointed by the Royal Agricultural Society of England
1 appointed by the Royal Horticultural Society
1 appointed by:
  the Institution of Chemical Engineers
  the Institution of Civil Engineers
  the Institution of Electrical Engineers
  the Institution of Mining Engineers
  the Institution of Mining and Metallurgy
  the Institute of Biology
  the Institute of Management
  the Institute of Materials
  the Institute of Physics
  the Society of Chemical Industry
  the British Computer Society
  the British Society for the History of Science
1 Head Teacher appointed by the Head Masters Conference
1 Head Teacher appointed by the Girls Schools Association
2 Head Teachers appointed by the Secondary Heads Association
1 each by the Local Authority in the areas in which the College has a main site location as determined by the Council
1 each appointed by the Governments of: Canada, Australia, New Zealand, South Africa, India, Pakistan and Sri Lanka
1 appointed by the Secretary of State for Foreign and Commonwealth Affairs
8 appointed by the Imperial College Union
1 each appointed by: the Royal College of Art, the Royal College of Music, the Trustees of the Science Museum, the Trustees of the Natural History Museum, the Trustees of the Victoria and Albert Museum and the Corporation of the Hall of Arts & Sciences
3 Members of the Commons House of Parliament for relevant parliamentary constituencies as determined by the Council.

c) Elected Members

24 Members of the full-time academic staff (8 elected each by and from the Engineering, the Medical and the Science academic staff, including, where possible, 1 member with a responsibility which includes the subject area of food, agriculture or rural environment)
4 Members elected by and from the full-time academic-related staff.
(d) Co-opted Members

Up to 40 persons, not employees of the College, co-opted on the recommendation of the Council.

(e) Chairman and Deputy Chairman

The Chairman and Deputy Chairman appointed under Statute 3(5) (if not members by virtue of Statutes 3(1)(a) to (d))

(2) Period of Office of Membership of the Court

(a) Procedures for the appointment, election and co-option of members of the Court, including procedures for the filling of casual vacancies, shall be as prescribed by Regulation.

(b) *Ex officio* members shall be members of the Court for the period for which they hold the position designated; other members shall be appointed for a term of four years, and shall be eligible for re-appointment except that members shall not normally be appointed for more than two consecutive terms of four years.

(c) Periods of office of appointed or elected members shall commence on 1 October, save that any member appointed or elected to fill a casual vacancy shall be a member only for the unexpired portion of the period of appointment or election of the member replaced, but any such period shall be disregarded in determining that member’s eligibility for further appointment or election.

(3) Cessation of Membership of the Court

(a) *Ex officio* members shall cease to be members on vacation of the relevant office.

(b) Elected members shall cease to be members of the Court if they cease to be eligible in the categories in which they were elected.

(c) Where a member of the Court becomes incapable by reason of mental disorder, the Court may resolve that such person’s membership be terminated.

(d) The Court may require any member against whom a receiving order has been, or who makes an arrangement or composition with creditors, or who is convicted on indictment of a criminal offence, to resign from membership.

(e) Any member of the Court may resign by sending notice of resignation in writing to the Clerk to the Court.

(4) Meetings of the Court

(a) There shall be a meeting of the Court at least once a year at such day and hour as determined by the Council to discharge the powers and functions prescribed by Statute 3(5).
(b) The quorum for a meeting of the Court shall be as prescribed by Regulation.

(5) **Powers and Functions of the Court**

(a) to appoint, on the recommendation of the Council, a Chairman of the Court;

(b) to appoint, on the recommendation of the Council, a member of the Council to be Deputy Chairman of the Court;

(c) to appoint, on the recommendation of the Council, a member of the Council to be Honorary Treasurer;

(d) to receive annual reports on the workings of the College from the Rector and the Council;

(e) to receive the Annual Accounts and the comments of the Audit Committee thereon;

(f) to discuss any matters relating to the College and convey its opinion thereon to the Council;

(g) to approve amendments to the Charter on the recommendation of the Council, prior to submission to the Privy Council;

(h) to make representations for the appointment of a Visitor, as provided for in the Charter.

4. **THE COUNCIL**

(1) **Membership of the Council**

(a) The Council shall consist of the following persons:

- The Chairman (who shall be the person appointed under Statute 3(5)(a))
- The Rector
- The Deputy Rector
- 6 representatives of the Pro Rectors, Provosts, Deans, Principals, Vice Principals and such other persons as may be prescribed by Regulation, the representatives to be selected in a manner prescribed by Regulation so as to provide for representation of the breadth of disciplines within the College.
- 6 Elected Members, two each elected by and from the Engineering, Medical and Science full-time academic staff including, where possible, 1 with a responsibility which includes the subject area of food, agriculture or rural environment.
- 3 External Members nominated by the Court from amongst its Appointed Members
- 1 External Member nominated by the University of London from among its appointees to the Court
- 12 External Members, co-opted by the Council
- The President of the Imperial College Union.
(b) The Deputy Chairman of the Council shall be the person appointed under Statute 3(5)(b).

(2) **Period of Membership of the Council**

(a) Procedures for the appointment, election and co-option of members of the Council, including procedures for the filling of casual vacancies, shall be as prescribed by Regulation.

(b) *Ex officio* members shall be members of the Council for the period for which they hold the position designated; all other members, whether nominated or co-opted, shall be appointed for a term of four years and shall be eligible for re-appointment except that members shall not normally be appointed for more than two consecutive terms of four years.

(c) Periods of office of appointed or elected members shall commence on 1 October, save that any member appointed or elected to fill a casual vacancy shall be a member only for the unexpired portion of the period of appointment or election of the member replaced, but any such period shall be disregarded in determining that member’s eligibility for further appointment or election.

(3) **Cessation of Membership of the Council**

(a) *Ex officio* members shall cease to be members on vacation of the relevant office.

(b) Elected and nominated members shall cease to be members of the Council if they cease to be eligible in the categories in which they were elected or nominated.

(c) Any member who is absent from meetings of the Council for twelve consecutive calendar months shall cease to be a member unless the Council shall decide otherwise.

(d) Where a member of the Council becomes incapable by reason of mental disorder, the Council may resolve that such person’s membership be terminated.

(e) The Council may require any member against whom a receiving order has been made, or who makes an arrangement or composition with creditors, or who is convicted on indictment of a criminal offence, to resign from membership.

(f) Any member of the Council may resign by sending notice of resignation in writing to the Clerk to the Council.

(4) **Meetings of the Council**

(a) The Council shall meet at least three times during the academic year, but additional meetings shall be called as required by the Chairman or at the written request of no fewer than one third of the members.

(b) The quorum for a meeting of the Council shall be twenty.
(5) Powers and Functions of the Council

The powers and functions of the Council shall be:

(a) to recommend to the Court the appointment of the Chairman and the Deputy Chairman;

(b) to recommend to the Court the appointment of the Honorary Treasurer;

(c) to appoint the Rector;

(d) to be responsible for the efficient management and good conduct of all aspects of the affairs of the College (including its finances and property) not reserved specifically to the Court;

(e) to make such Regulations as are necessary to fulfil the responsibilities under the preceding sub-paragraph;

(f) to establish committees with such membership as deemed necessary to assist in the discharge of its responsibilities.

(g) to make such appointments, or recommendations for appointments, as are required by the Charter, Statutes or Regulations;

(h) to define such academic structure of the College, comprising departments, divisions, centres and other units which may be associated to form faculties, schools or other groupings within the College, as the Council, on the recommendation of the Rector, after consultation with the Senate, considers expedient.

(6) Delegation of Powers of the Council

The Council may delegate any of its functions, powers and duties (other than its power to make Regulations) to committees appointed by it or to its officers as it sees fit, and such committees and individuals may further delegate unless the Council has provided to the contrary.

5. THE SENATE

(1) Membership of the Senate

The Senate shall consist of the following persons, namely:

(a) Ex Officio Members

Rector, who shall preside over meetings of the Senate
Deputy Rector
Pro Rectors
Principal of the School of Medicine
Principal
(2) **Period of Office of Members of the Senate**

(a) Procedures for the appointment, election and co-option of members to the Senate, including the procedures for the filling of casual vacancies, shall be prescribed by Regulation.

(b) Appointed and elected members shall be appointed or elected for a period of three years and shall be eligible for re-appointment or re-election except that members will not normally serve for more than three consecutive terms of three years.

(c) Periods of office of appointed or elected members shall commence on 1 October, save that any member appointed or elected to fill a casual vacancy shall be a member only for the unexpired portion of the period of appointment or election of the member replaced, but any such period shall be disregarded in determining that member’s eligibility for further appointment or election.

(3) **Cessation of Membership of the Senate**

(a) *Ex officio* members shall cease to be members on vacation of the relevant office.

(b) Appointed and elected members shall cease to be members if they cease to be eligible in the categories in which they were appointed or elected or if they send notice of resignation in writing to the Academic Registrar.

(4) **Meetings of the Senate**
The frequency of and the quorum for meetings of the Senate shall be as prescribed by Regulation.

(5) Powers of the Senate

(a) The Senate shall be the supreme academic authority of the College, responsible to the Council, and shall take such measures as shall appear to it to be best calculated to promote the academic work of the College, both in teaching and research and for the regulation and superintendence of the education and discipline of the students of the College.

(b) The Senate may establish Committees in Engineering Studies, in Medical Studies and in Science Studies and such other committees with such terms of reference as it deems appropriate and may delegate to such committees responsibilities placed upon it by the Charter and these Statutes.

6. RESERVED AREAS OF BUSINESS

Student members of the Court, the Council and the Senate and of their Committees and of such other committees or bodies of the College as may from time to time be established shall not be entitled to participate in the consideration of reserved areas of business. Reserved areas of business shall be appointment, re-appointment, promotion and any other matter affecting individual members of staff; the admission, re-admission and academic assessment of individual students; the appointment of examiners for individual students; the consideration of courses of study for individual students, including research projects; and discussion of the award of grants, scholarships and prizes for individuals. It shall be for the relevant Chairman to decide in any case of doubt whether a matter is one to which this Statute applies, and that decision shall be final. In respect of any item of business to which this Statute does apply, papers for consideration at meetings of any such bodies and minutes and other records relating to such matters shall not at any time be available to a student member.

7. ACTS DURING VACANCIES

No act or resolution of the Council or any committee or board constituted in accordance with these Statutes shall be invalid by reason only of any vacancy in the body doing or passing it or by reason of any want of qualification by or invalidity in the election or appointment of any de facto member of the body whether present or absent, or by reason of the accidental omission to give any member notice of the meeting or the non-receipt by any member of that notice.

8. OFFICERS OF THE COLLEGE

(1) The Rector

(a) The Council shall appoint a Rector who shall hold office for such period and on such terms and conditions as the Council shall determine.

(b) Subject to the provisions of the Charter and these Statutes, the Rector shall be responsible for ensuring that the objects of the College are fulfilled, for maintaining and promoting the efficient and proper management of the affairs of
the College, and for such other duties as may be prescribed by Regulation or determined by the Council from time to time.

(c) Subject to any directions or limitations imposed by the Council, the Rector shall have power to delegate any powers and duties to any person or committee.

(2) Pro Rectors

The Council shall, on the recommendation of the Rector, appoint for such period as the Council shall determine Pro Rectors of the College who shall undertake such duties as shall be assigned to them by the Rector, and one of whom may be designated Deputy Rector.

(3) Other Officers

The Council may, on the recommendation of the Rector and in accordance with such Regulations as are deemed appropriate, appoint for such period as prescribed by Regulation other College Officers to discharge such responsibilities and duties as shall be assigned to them by the Rector.

(4) Clerk to the Court and the Council

The Council shall, on the recommendation of the Rector, appoint a person to act as Clerk to the Court and Clerk to the Council, with the responsibility of providing the necessary secretarial services for the Court and the Council.

(5) College Secretary

The Council shall, on the recommendation of the Rector, appoint a person to act as College Secretary who shall undertake such duties as are assigned by the Rector.

9. STAFF OF THE COLLEGE

(1) General

(a) Except as hereinafter provided, all the functions of the Council in relation to the appointment and promotion of staff of the College, other than the Rector, shall be exercised by committees established for this purpose by the Rector. The membership shall be prescribed by Regulation.

(b) The committees shall have power to delegate upon such conditions as the Council may determine any of their functions to committees or sub-committees formed from their own number or otherwise appointed by them, or to persons within the College.
(c) Procedures governing the discipline, grievances and dismissal of academic staff employed by the College shall be in accordance with the provisions of the Appendix to these Statutes.

(2) **Academic Organisation**

(a) The arrangements for the appointment and duties of the head, or director or principal of a faculty, school, department, division, centre or other unit and for the direction and administration of the department, division, centre or unit such entities shall be determined by the Rector.

(b) Provisions for electing or appointing Deans, Principals or other officers to such faculties, schools or groupings as may be established shall be determined by the Council, on the recommendation of the Rector after consultation with the Senate, and shall be prescribed by Regulation.

10. **STUDENTS OF THE COLLEGE**

(1) **Admission**

Policy relating to the admission of students to the College shall be determined by the Senate subject to any directions given by the Council.

(2) **Termination**

(a) The registration as a student of any student who fails to satisfy the examiners in any examination prescribed in the Regulations or by the Senate for the course of study being pursued may be terminated.

(b) Termination of registration as a student on academic grounds other than failure in any examination falling within Statute 10(2)(a) above shall be in accordance with a procedure laid down by the Senate which shall provide an opportunity for the student to make representations.

(c) The Rector, acting in accordance with Regulations approved by the Senate, may suspend or terminate the registration as a student, or not confer the award of a degree, diploma or certificate and withhold the certificate in respect of that award from any student, who is in debt to the College or to the University.

(d) The Senate may establish procedures to revoke any degree, diploma, certificate or other award of the College gained on courses of study approved by the College, if at any time it shall be discovered and proved to the satisfaction of the Senate that there was any material irregularity in the events or circumstances leading to the grant of the degree, diploma, certificate or other award.

(3) **Discipline**

(a) The Council shall by Regulation establish a Code of Student Discipline which shall provide for the hearing of complaints of breaches of discipline by students, and for rights of appeal where appropriate, and the penalties that may be imposed,
including termination of membership of the College. The Code shall in particular provide that any student subject to disciplinary proceedings shall be entitled:

(i) to receive adequate notice of the details of the charge or charges and the date on which any hearing is to be held;

(ii) at any hearing, to be present and to be represented by a person of their choice other than a lawyer acting in a legal capacity, to give evidence and otherwise be heard, to have access to all relevant documents to be submitted to the hearing and to call and examine or cross-examine witnesses.

(b) Pending the determination of such a hearing, the Rector may suspend a student or impose restrictions on membership, attendance at the College or access to its property.

11. STUDENTS’ UNION

(1) There shall be a Union of Students of the College entitled “the Imperial College Union” which shall for all purposes be treated solely as an integral part of the College.

(2) There shall be a President of the Imperial College Union elected from amongst those students of the College who are full members of the Union.

(3) Without prejudice to Statute 11(1), the Imperial College Union shall conduct and manage its own affairs in accordance with a constitution approved by the Council, which shall be included in Regulations. The Union shall present to the Council its audited annual accounts.

(4) Where the Council disapproves of all or any part of the Imperial College Union’s proposed constitution and the Union does not alter that proposed constitution in accordance with the Council’s requirements within three months from the date on which the Union is requested to do so in writing by the Council, the Council shall make such amendments to the proposed constitution as it thinks fit and the proposed constitution as so amended shall then be the Union’s constitution.

12. FELLOWS AND ASSOCIATES

The Council may elect as Fellows or Associates of the College persons of distinction and persons who have in the opinion of the Council rendered significant services to the College or to the community, in accordance with Regulations approved by the Council.

13. ACCOUNTS AND AUDIT

The Council shall ensure that financial accounts are kept and that an annual statement of the College’s finances is prepared and published. The Council shall appoint, for such period and on such terms and conditions as the Council shall determine, an Auditor to undertake an audit of such financial accounts. The Auditor shall be a member of a body of accountants established in the United Kingdom and eligible for appointment as company auditors within the meaning of the Companies Act 1985. No person shall be appointed or remain Auditor who is, or any one of whose partners is, a member of the Council or the full-time staff of the College.
14. INVESTMENTS

(1) Monies in the hands of the College and available for investment may be invested by the College in any of the following modes or objects of investment:

(a) by placing them on deposit with any bank or licensed deposit taker;

(b) by investing them in such stocks, funds, shares, securities and other investments (including land of any tenure or any interest therein) of whatsoever nature and wheresoever and whether involving liability or not, as the Council shall, in its absolute discretion, think fit.

Provided that, in the case of monies held by the College as trustees, the powers conferred by this Statute shall be exercised in accordance with the relevant law.

(2) The Council shall have the power at any time and from time to time by writing to appoint (and in like manner to revoke or to vary the terms of any such appointment) any person or persons including a company or firm to act as investment advisers or investment managers and to permit any monies, investments or other property belonging to or in the hands of the College to be registered or held in the name or names of any nominee or nominees within the United Kingdom on behalf of the College without being liable for any loss occasioned thereby in each case subject to such conditions and upon such terms (including the payment of remuneration) as shall from time to time be agreed in writing between the Council and such person or persons as aforesaid.

15. RAISING OF MONEY

Where the College is authorised to apply money for any purpose or in any manner it shall, subject to any trust deed, have power to raise the same or any part thereof by borrowing it or by selling, converting, calling in, mortgaging or otherwise charging all or any part of the property of the College: Provided that no lender nor any purchaser or mortgagee paying or advancing money on a sale, conversion, calling in, mortgage or charge shall be concerned to see that such money is wanted or that no more than is wanted is raised or otherwise as to the application thereof.

16. TRANSITIONAL PROVISIONS

(1) Those persons who immediately before the appointed day were members of the Governing Body of the College appointed by the bodies mentioned in Statute 16(2) shall be deemed for the purposes of these Statutes to have become members of the Court in accordance with these Statutes on the appointed day.

(2) The bodies referred to in paragraph (1) above are:

- the Sovereign
- the Royal Commissioners for the Exhibition of 1851
- the Royal Society
- the Royal Institution of Naval Architects
- the Institution of Civil Engineers
- the Institution of Electrical Engineers
the Institution of Mechanical Engineers
the Institution of Mining and Metallurgy
the Society of Chemical Industry
the Government of Australia
the Government of Canada
the Government of India
the Government of New Zealand
the Government of Pakistan
the Government of South Africa
the Government of Sri Lanka.

(3) Notwithstanding anything in Statutes 3(2), 4(2) and 5(2) the first appointments and elections of members of the Court, the Council and the Senate may be made so as to take effect on the appointed day in accordance with procedures for the purpose determined before that day by the Governing Body of Imperial College.

(4) Notwithstanding Statute 5(2)(c) the periods of office of the first appointed or elected members of the Senate shall commence on the date on which such appointment or election is expressed to take effect; but for the purpose of Statute 5(2)(b) such members shall be deemed to have been appointed or elected (as the case may be) on 1 October immediately following that date.

(5) Notwithstanding anything in these Statutes any person who immediately before the appointed day was a member of the Governing Body and who becomes a member of the Court or the Council on that day shall be deemed for the purposes of Statute 3(2)(b) or 4(2)(b) to have begun his term of office as a member of the Court or the Council on 1st October immediately following the date on which he became a member of the Governing Body.

(5A) Notwithstanding Statute 3(2)(c) or 4(2)(c), the term of office of any person who, immediately before those provisions came into force, was a member of the Court or the Council (other than a person to whom Statute 16(5) applies) shall commence on the date on which his appointment or election was expressed to take effect; but for the purpose of Statute 3(2)(b) or 4(2)(b) such a member shall be deemed to have been appointed or elected (as the case may be) on 1st October immediately following that date.”

(6) Until the first appointments under Statute 8(2) to (5) have been made, the Pro Rectors, other College Officers and College Secretary shall be the persons who respectively held those offices immediately before the appointed day and the Clerk to the Court and Clerk to the Council shall be the person who immediately before that day provided the secretarial services to the Governing Body.

(7) Notwithstanding Statute 11(2), the first President of the Imperial College Union shall be the person who held that office immediately before the appointed day.

(8) Nothing in these Statutes shall affect the status as a Fellow or an Associate of the College of any person who was so elected before the appointed day.