

expenditure in the Institute. The General Board have also agreed to propose that the Professorship should be named after Mr Beckwith in recognition of his support for Management Studies, which is additional to his substantial contribution to two further key initiatives of the University's fund-raising programme, the new buildings for the Faculty of Law and the Department of Biochemistry.

4. The General Board accordingly propose that a Beckwith Professorship of Management Studies should be established in the University for one tenure from 1 October 1996 and assigned to the Judge Institute of Management Studies. The Board have been advised that an appointment at Professorial level would be likely to attract a strong field of applicants. They have agreed to concur in the view of the Management Studies Syndicate that the election to the Professorship should be made by an *ad hoc* Board of Electors, and that candidature should be limited to persons whose work falls within the field of marketing, broadly defined, including elements of business strategy.

5. The General Board recommend:

I. That a Beckwith Professorship of Management Studies be established for one tenure with effect from 1 October 1996, placed in Schedule B of the Statutes, and assigned to the Judge Institute of Management Studies.

II. That regulations for the Beckwith Professor of Management Studies, as set out in the Schedule to this Report, be approved.

22 May 1996

D. G. T. WILLIAMS, *Vice-Chancellor*
GILLIAN BROWN
WILLIAM BROWN
JOHN E. CARROLL
D. A. GOOD

JOHN A. LEAKE
MELVEENA MCKENDRICK
N. J. MACKINTOSH
D. H. MELLOR

A. C. MINSON
MICHAEL PEPPER
JOHN D. SMITH
N. O. WEISS

The Council offer no objection to the recommendations contained in paragraph 5 of this Report.

27 May 1996

D. G. T. WILLIAMS, *Vice-Chancellor*

SCHEDULE

Beckwith Professor of Management Studies. 1996. Management Studies

1. The sum of £1,000,000 received from Mr Peter Beckwith for the support of a Professorship of Management Studies shall form a fund called the Beckwith Management Studies Fund.
2. The amount required for the payment of the stipend, national insurance, pension contributions, and associated indirect costs of the Professor payable by the University shall be met from the Fund.
3. The Beckwith Professorship of Management Studies shall be limited to one tenure.

Annual Report of the Board of Scrutiny

The BOARD OF SCRUTINY beg leave to report to the University as follows:

1. The Board was established on the recommendation of the WASS Syndicate and came into existence on 1 October 1995. Its current duties are to 'scrutinize on behalf of the Regent House the Annual Report of the Council, the abstract of the accounts of the University, and any Report of the Council proposing allocations from the Chest'. The WASS Syndicate envisaged that the Discussion of the Accounts and the Annual Report would be postponed until the Board had had time to prepare or publish its own comments, but this year's experience suggests that it is not practicable to fit them into the same timetable. In the event, therefore, the Discussion took place last term, though no remarks were made.

2. In considering the role of the Board, its members were unanimous in disclaiming any attempt to press any preconceived agenda or to duplicate the work of other bodies. What we have done is to select a number of topics arising from the Accounts or the Annual Report about which members of the Regent House might feel a reasonable concern, or a legitimate curiosity, and look into them on their (hypothetical) behalf. We selected the following topics for scrutiny this year: the presentation of the University accounts, management accounting, trust funds, publication of the accounts of the Local Examinations Syndicate and the University Press, recovery of overheads on research grants and contracts, remuneration of higher-paid staff, supplementary payments to Professors, and the conduct of Council business. Though there has been no special hunt for skeletons in cupboards, it should be a source of mutual satisfaction that none have been discovered.

3. Documents received by the Board totalled 7.5 kg and included various minutes and supporting papers of the Council, the Audit Committee, the Vice-Chancellor's Advisory Group and the Consultative Committee; papers and correspondence relating to the procedure for research grant applications; and the accounts of all trust funds. No document requested was withheld. The Board, or pairs of its members, have held meetings on separate occasions with the Vice-Chancellor, the Registrar, the Secretary General, the Treasurer, the Deputy Treasurer, and members of their staffs. We should like to acknowledge the promptness and openness with which all these officers responded.

The University accounts

4. This is the first year in which the Financial Statements have been prepared in accordance with the new requirements from the HEFCE. We welcome the result, as it presents information in a fuller and clearer form. At the same time it should not be forgotten just how much information has ceased to appear over the last thirty-odd years. The current Abstract contains roughly one-tenth of the information published in the 1960s. At their zenith the University Accounts gave details of every prize and trust fund, every University officer's salary, a full picture of the accounts of each Department, Faculty, and Council institution, lists of research grants and contracts, a complete list of securities held, the proportions of investments in different categories and sectors, the costs of major buildings completed over the past twenty years, and so on and on – none of which is now revealed to the Regent House. From 1959 onwards, the Accounts themselves were accompanied by a summary form of accounts, drawn up to meet the requirements of the then University Grants Committee. This summary carried an undertaking that 'it is not intended to replace the main University Accounts' (*Reporter*, 1959–60, p. 1497). Although the undertaking was reprinted in subsequent years, it soon disappeared and was broken in 1967, when the Accounts themselves in their statutory form ceased to appear. We have found no record of any Report, Discussion, Grace, or Ballot to justify the breach or give reasons for it.

5. The accounts of the various funds of which the University is the trustee used to be published annually. As noted above, this is no longer done, though the information is supplied annually (sometimes more often) to the relevant Managers. We understand however that the Council intend to publish trust fund accounts again in the *Reporter* next year. We welcome this move, though because of the expense of this form of publication we think it would be acceptable if in subsequent years trust accounts were put online, available to those with a cam.ac.uk address.

6. For the main University accounts we think that the situation can be significantly improved without turning the clock back to the 1960s, if the Council will meet the most important need, namely to help the Regent House to understand where the University and its constituent parts stand financially. We think that this could be achieved if the Abstract of Accounts were accompanied by a fuller explanatory commentary, in the same way that the statutory accounts of Colleges are typically accompanied by reports prepared for the information – and education – of their Governing Bodies. Such a commentary could (i) serve as an ongoing explanation of University finances so that an understanding of the financial situation of the University is built up and sustained. It could also provide (ii) an informed descriptive account of changes that are taking place in the financial structure of the University, whether as a result of internal reform or external changes. And it could include (iii) an explanation of items that are otherwise obscure to the general reader.

7. As examples of what might be done under these heads, we offer the following prompted by this year's accounts, stressing that they are intended as examples only. (The Treasurer's report already contains much useful information of the kind we are trying to encourage.) Under (i) then, it may be good news that central administration is only 3 per cent. of total expenditure; but to be really meaningful the figure needs to be set in the context both of a substantial series of figures for past years and of strictly comparable figures for other universities. Under (ii) it would have been useful to spell out the changes in format between the 1993–94 and 1994–95 accounts, given the importance of comparability across the years in enabling a reader to make sense of any one set of accounts. Under (iii) it would have dispelled some obscurity if more had been said about the University's subsidiary company Lynxvale Limited than that it 'renders services for a wide variety of organizations'. Or again, the figure of £2,231,000 for the expenditure of the Development Office given in the Accounts (p. 16) is very different from the £960,000 for the same item reported by the Advisory Committee (*Reporter*, 1995–96, Special no. 13, p. 3). No doubt there is some perfectly simple explanation, but it is not given.

8. It would also make understanding much easier if accounts published separately were printed, or reprinted, with the main accounts, as was done this year with the University Farm and the Oxford and Cambridge Schools Examination Board. In the future this might apply, for example, to the Local Examinations Syndicate and the Press (see below). Material from the Allocations Report could usefully be reproduced for the same reason, e.g. the 'revised estimates' sections which spell out the reasons for any significant differences between the actual outcome and that originally predicted.

Management accounting

9. There is a clear need for management accounting in the University. Unlike statutory accounts, which are primarily a public report, management accounting is a tool for those within an institution who have to make financial decisions. In the central offices, for example, management accounting is required for the development of the University's successive Strategic Plans, the preparation of the five-year financial forecasts required by the HEFCE, and for improving claim and collection procedures for research grants. Similar needs exist in Departments with large budgets, and they are eager to address them. As management accounting develops, it will be necessary to provide training in the appropriate systems and practices. The University has – not before time, it might be thought – recognized the need to introduce a system of management accounting, and in the last year a qualified management accountant and an assistant have been appointed. We welcome these appointments, and we think that the role of the University Treasurer in promoting this and several other welcome initiatives since her arrival in 1993 should be acknowledged.

10. Before any other progress can be made, it is necessary for suitable accounts to be available on a day-to-day basis. This will require very substantial additions and modifications to the University's computerized accounting system. It is an 'Oracle' based system, dating from 1989-90. It was purchased as an inexpensive package which could be modified to meet the University's needs. The initial modifications involved some six man-years of programming. In addition to the accounts system there are systems dealing with the payroll, student records, and personnel. Currently there are some ten people continuously employed in developing the computing provision of the central offices; their work is co-ordinated by JCCAC - the Joint Committee for Central Administrative Computing. Our enquiries suggest that much of this work is of a 'fire-fighting' kind, adapting the systems to meet the changing demands of the moment, such as supplying the constantly changing returns required by the HEFCE.

11. The changes in computing support required for adequate management accounting are likely to be altogether more radical. It is important that computer provision here should be carefully planned, and we are glad to learn that there is a committee working on this. We believe that this is a matter which urgently demands the provision of adequate resources.

Trust funds

12. We were told that the Council and the General Board have each carried out a fairly recent investigation of trust funds with significant unspent incomes, and that as a result several funds are being used more effectively. The University also has a limited power under Statute E, I, 8 to vary the application of trust funds. In some cases, however, the terms of a trust are such that these measures cannot solve the problem. It is well known that educational trusts are peculiarly liable to be frustrated by unforeseen changes in circumstances, and the only solution may be to make a statute amending the trust, as several Colleges have done. A typical method is to provide that the surplus income of the fund in question may be spent in a subsequent year, or added to the capital, or used for the general educational purposes of the institution. It should be noted that 'surplus' here means not simply unspent but unspendable - income that remains unspent even after the purposes of the trust have been met as far as they possibly can be. We recommend the central bodies to explore this and other ways of enabling trust funds to be put to more effective use.

The accounts of the Local Examinations Syndicate and the University Press¹

13. The accounts of the LES are consolidated with the rest of the University accounts, but those of the Press have not hitherto been published at all. The Council, having proposed in July 1995 to consolidate them with the University Accounts like the accounts of other institutions within the University, now propose to publish them separately (*Reporter*, 1994-95, p. 1012, and 1995-96, p. 319). Either way, we welcome the provision of such information to the Regent House.

14. The Press forms an integral part of the University, and it is accepted on all sides that the Press should be accountable to the University, and that the accountability should be real. Nevertheless the Press is unique amongst University institutions in that at present it is excluded from scrutiny by this Board (Statute A, VII, 6). We have considered this anomaly, and have concluded that it is inappropriate, especially now that it has been agreed that the accounts of the Press should be published to the Regent House. We therefore recommend that the Statutes and Ordinances be amended to remove the exclusion, and to bring the accounts of the Press within the scope of the Board of Scrutiny. We do not see this as making any difference to the constitutional position of the Press, which will remain under the administration of the Press Syndicate. All that will change is that in future its accounts will be subject to the same level of scrutiny as those of all other institutions in the University. An additional consideration pointing in the same direction is that under the provisions of the Charities Act 1993 any member of the public will in future be able to request a copy of the most recent audited accounts of any charity, including the Press. Under those circumstances it would seem absurd for them to be withheld from scrutiny by the Board.

15. If, as the Council's Notice suggests, the accounts of the Local Examinations Syndicate are also to be published separately in the future, we would expect that they would remain subject to scrutiny. It would be quite illogical for them to be subject to scrutiny now, when consolidated, but not when published separately.

Recovery of overheads on research grants and contracts

16. Members of the Regent House may have been disconcerted to read in the press a survey of the rates of recovery of overheads on contract research carried out for industry and government departments (excluding Research Councils and charities). It is generally accepted that the full economic cost of overheads would typically be in the region of 100 per cent. of the salary costs of the project team, but the statistics showed Cambridge achieving 28 per cent. recovery, as compared, for example, with Nottingham's 47 per cent. and Imperial College's 69 per cent. ('Millions are lost on contract research', *THES*, 10 Nov. 1995). For research funded by the Research Councils, the General Board's Annual Report mentions the effects of dual support transfer, whereby money previously given to universities was transferred to the Research Councils on the understanding that there would be a standard addition for overheads of 40 per cent. together with more generous provision for direct costs such as technicians' salaries, consumables, and equipment. The intention was that the effect should be neutral for the

¹ Dr Garling, as a Press Syndic, absented himself from discussion of this item.

university system as a whole, but the General Board report that it has resulted in a shortfall for Cambridge of £2.4 million for 1994-95. This is described as being 'for various reasons' (a form of explanation which it would be helpful to amplify in any future contexts). We decided to investigate the topic of recovery of overheads.

17. The whole question of the dual support transfer is being reviewed nationally. Meanwhile we are satisfied that the reasons for the local shortfall, which include variations in practice between Research Councils and even between different divisions of the same Research Council, are beyond the control of the University and not due to any lack of care or attention in the preparation of applications. Departmental administrators play a key role here, and we are glad to learn that the General Board officers have held training and consultative seminars for their benefit. Heads of Departments also have a responsibility for monitoring research grant applications, and it may be necessary to do more to bring this home to them, e.g. with regard to the observance of deadlines.

18. As to contract research, the General Board's officers admit that they are somewhat at a loss to understand why the overhead recovery rates for Cambridge remain so low despite the existence of a clear policy which they believe is being correctly implemented; and a consultant has already been appointed to undertake some analyses. Cambridge appears to deal with a relatively high proportion of sponsors where overheads cannot be obtained, and detailed comparisons with the statistics for some other universities show the distorting effect of different proportions of contract income in different categories, e.g. public corporations. Other grants which might have been expected to meet overheads are supporting students, so that fee income is being generated instead. Also, there is an emphasis throughout the University on collaborative research contracts, rather than contracts where the full economic cost is charged for work of little collaborative interest. None of these factors alone would completely account for our low recovery rate - though it is similar to that of some other major research universities, e.g. Oxford's 34 per cent. - and the investigation is continuing.

19. The Council's Annual Report says that the General Board are trying to ensure that the whole costs of commercial research contracts are met by the sponsors concerned (§4.2). This is a little over-simplified. The General Board's policy is that all such research should be fully costed, so that the whole cost can indeed be charged to the sponsor wherever appropriate. But the price accepted for an individual grant or contract may be adjusted to reflect the level of reciprocal benefit and interest to be derived from it. An example might be that of some medical charities, which do not meet overheads, but where the intrinsic academic merit of the research might make it worthwhile to pursue it nonetheless. The Funding Councils already recognize that grants accepted on academically favourable terms - little restriction on publication of results, University ownership of intellectual property - should qualify for an element of support through the 'Generic Research' element of the block grant, in recognition of the fact that their open nature means that the sponsor is unlikely to pay the full economic cost of the work. It is not therefore necessarily a sign of bad management if a low overhead rate is sometimes accepted.

20. The administration of research grants and contracts has hitherto been divided between the General Board and the Financial Board Office, but the two sections are now to be amalgamated into a single section under the direction of Mrs Ansell. One welcome result will be to streamline the treatment of applications, although the University's long-standing policy of setting an internal deadline for applications (at present one or two weeks ahead of the deadline set by the relevant outside body) will continue. It has been represented that this is unnecessarily burdensome, and mechanized or purely formal alternative procedures have been proposed. The General Board's officers have explained why they think it is necessary to set an internal deadline and why these alternatives are impracticable. We tend to agree, and believe that the remedy is for researchers to learn to meet deadlines like anyone else.

21. In summary, we endorse the policy and practice of the General Board, and wish in particular to praise the work of Mrs Ansell and her colleagues. The only critical note we wish to strike is that, here as elsewhere, the central offices could save time by making greater use of modern electronic communications to put information and correspondence online.

Stipends of higher-paid officers

22. The Accounts show that sixty-three University officers receive more than £50,000 a year. The vast majority of these cases involve Clinical Responsibility payments or Medical Distinction Awards made to holders of Honorary NHS Consultant contracts, the stipends and the associated employer's costs being fully reimbursed by the NHS. We have looked at the few remaining cases individually and are satisfied that there is nothing untoward about any of them. One of them, in which substantial payments from another body are channelled through the University, was treated as a formality by the central authorities at the time. We think that any transactions of this sort should be treated as matters of substance requiring specific case-by-case approval by the General Board or the Council as the case may be.

Supplementary payments to Professors²

23. In 1989 the Government told the University that it must adopt a scheme for selective payments to Professors 'to reward exceptional performance and to recruit or retain exceptionally scarce or valuable staff' (*Reporter*, 1988-89, pp. 582, 756). As a result the Vice-Chancellor has discretion to make single recruitment

² All the Professorial members of the Board have either told the authorities that they do not wish to be considered for these payments or else were absent from discussion of this item.

incentive payments of not more than £20,000; we have nothing to say about these. We understand that no payments have yet been made for retention of services, and hope that none will be. The following paragraphs and the ensuing recommendation relate to awards for exceptional performance. These are made at the level of £5,000 (or more rarely £10,000) per annum. They are made for five years at a time, but renewal is apparently a formality. The limited funds available mean that at any one time only two dozen out of some hundred and sixty eligible Professors receive them.

24. The making of awards was left to the Vice-Chancellor, with the hint that he 'should have discretion to call upon a small advisory body for advice; such a body could include eminent academics from outside Cambridge'. In fact the Vice-Chancellor has preferred to consult informally, and has satisfied us that he has carried out the task of selection in a judicial and judicious way. We are reluctant to propose a more formal procedure when the number of new awards each year is bound to be small. It is nonetheless a fact that the procedure contrasts sharply with that for discretionary awards to University Lecturers or for personal Readerships, and with the most recent statements by the central bodies on good practice in such matters. We think that in the interests of consistency and transparency it would be better to establish a small committee, with external representation, to administer the scheme. We observe that Oxford, with their Committee on Distinction Awards, have operated in this way from the start (though their committee may be larger than would be needed here).

25. The University's scheme for discretionary awards to Lecturers prohibits giving preferential treatment to existing holders over new applicants, on the ground that the scheme is competitive and linked to performance. We think that the same principle should apply to awards to Professors, for the same reason.

Conduct of Council business

26. The HEFCE and the CVCP recently co-operated on a Guide for members of University Councils or their equivalents in the new universities. (The relevant section of the Council's Annual Report is headed 'Responsibilities of governing bodies', a slip which – on behalf of the Governing Body of the University, the Regent House – we hope will be avoided in future.) The Council announce that they have set up a register of members' interests as a consequence of one of the Guide's recommendations on the conduct of business. The same section of the Guide also recommends, under the heading 'Principles of Openness and Transparency', that the agenda, minutes, and papers considered at Council meetings should (except where confidentiality is necessary) be available for inspection by staff and students. And in the interests of 'the vital principle of turnover and new blood' it recommends that two four-year periods should be the normal maximum of continuous membership. Do the Council subscribe to these principles and intend to follow the Guide's recommendations?

27. The General Board have agreed (§78 of their Annual Report) that because of the extensive commitments of membership, members should not take sabbatical leave during their period of service. Do the Council consider that the post-Wass commitments of Council membership make a similar convention appropriate?

Future business

28. Inevitably we have been feeling our way in this first year, and we shall welcome comments on the Report and its recommendations. We shall be especially pleased if the Discussion of the Report is also used as an opportunity for members of the Regent House to put forward suggestions for the future business of the Board.

Recommendations

29. We recommend:

I. That the Abstract of Accounts should be accompanied by a fuller explanatory commentary, and that accounts published separately and other supporting material should be reprinted with it.

II. That the provision of proper management accounting procedures should be treated as a matter of urgency.

III. That, for those Trust Funds for which it is a problem, action should be taken to enable surplus income to be put to good use.

IV. That the accounts of the University Press should be brought within the scope of the Board of Scrutiny, and that the Statutes and Ordinances be amended accordingly.

V. That a small committee, with external representation, be established to administer the scheme for awards to Professors for exceptional performance, and that existing holders should not be given preference over other candidates.

21 May 1996

T. J. SMILEY, <i>Chairman</i>	M. F. BURNYEAT	TREVOR LAMB
MARK BAILEY	JOHN E. FLOWCS WILLIAMS	DEBBIE LOWTHER
CLAIRE Y. BARLOW	D. J. H. GARLING	OLIVER RACKHAM
MARKUS BOCKMUEHL	CHRIS HADLEY	ANDREW TETTENBORN