

UNIVERSITY OF ABERDEEN

UNIVERSITY COURT

MINUTES OF THE MEETING HELD ON 3 April 2025 via Microsoft Teams

Present: Julie Ashworth, Senior Governor
George Boyne, Principal & Vice-Chancellor
Ainhoa Burgos Aguilera
Owen Cox
Iona Fyfe (Rector)
Iain Grant
Luke Halliday
Richard Hepworth-Young
Fiona Islam
Helen Martin
Caryn Miller
Lorenzo Moretti
Alison Rankin
Shona Russell (Governor Apprentice)
Joachim Schaper
Christina Schmid
Diane Skåtun
Iain Torrance (Pro-Chancellor)
Ilia Xypolia

Apologies: **Martin Barker**
Eleanor Bentley
Ayten Hajiyeva
Gary McRae

With: Jan Whitfield, Acting Clerk

In attendance: Fraser Bell (COO)
Samantha Waters (Chief Governance Officer & University Secretary)
Mark White, Chief Financial Officer (CFO)

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| 1 | <u>WELCOME, DECLARATIONS OF INTEREST AND QUORACY</u> | Verbal item |
| 1.1 | The Chair welcomed everyone to the meeting. | |
| 1.2 | Apologies were received from the Court Members detailed above. | |
| 1.3 | It was confirmed that the meeting was quorate. | |
| 1.4 | Diane Skåtun declared a standing interest in relation to a spousal relationship with a senior member of the Business School. | |

2 **UNIVERSITY FINANCIAL UPDATE**

Principal's Introduction

- 2.1 The Principal outlined the background and context to the meeting, which had been convened to provide early sight of the budget which would normally be presented to Court in June.
- 2.2 Although the University was on track to achieve the Court approved deficit of £6.6m for 2024-25, given the ongoing difficulties across the UK Higher Education sector, further financial challenges were anticipated during 2025-26. The Senior Management Team (SMT) were working to develop a forward three-year financial plan, and an overview of its current status would be provided by the Chief Financial Officer later in the meeting.
- 2.3 Alongside the shorter-term targets contained within the budget for 2025-26 to maintain the University's Going Concern status and financial covenant compliance, the plan would incorporate proposals towards the University's longer-term operating model to ensure it could adapt and continue to be fit for purpose in the context of the changed operating environment within the HE sector. A further, detailed update and proposals would return to Court at its scheduled meeting on 30 April 2025.
- 2.4 It was highlighted that, across the sector, costs continued to rise more than revenue. The draft budget included an additional £4.7m of costs in relation to staffing as a result of the increase in employers' National Insurance contributions, the full-year effect of the phased 2024-25 pay award and incremental progression on salary scales. Alongside, the University had assumed the worst-case scenario of zero revenue growth in 2025-26 to ensure projections were as prudent as possible.
- 2.5 This combination of factors meant that the University would be in a position to achieve the same deficit outturn in 2025-26 as in 2024-25 if it could apply a range of measures to close a budget gap of £7m (representing 2.5% of total spend).

Financial Update Presentation

Presentation

- 2.6 The Chief Financial Officer then delivered a presentation to provide a real-time update on the University's financial position and the development of a forward 3-year financial plan.
- 2.7 Confidence remained high that institutional savings targets for 2024-25 could be achieved, due to continued strict financial controls developed under the institutional Financial Recovery Plan. However, as a result of detailed assessment of sector intelligence, the January 2025 student intake figures and recent feedback from Court, the initial budget assumptions of 5% fee income growth for 2025-26 (based on

the mid-point of scenarios presented to Court in February 2025) had been revised to zero.

- 2.8 The financial implications for the Draft 2 Budget were outlined, and it was confirmed that in addition to the standard level of annual savings of £6.4m, the University must now find an additional £7m of income or savings to achieve a £7m deficit in 2025-26 (a repeat of the Court approved deficit position for 2024-25). This represented a £2m increase from the February 2025 position reported to Court.
- 2.9 It was highlighted that, by rigorously evaluating its position mid-way through the usual budget setting process and four months prior to the start of the new financial year, there was capacity to take immediate decisive action. The SMT was working to develop a 3-year financial plan to address the challenge and return to break even. The plan was based on a 3-stage process to Organisational Transformational Change and would be available shortly for sharing with Trade Union colleagues for information, Heads of School for action and subsequent appropriate consultation. The developed plan would progress to Court in April 2025 for consideration.
- 2.10 Stage 1 of the process would involve a further round of Enhanced Retirement/Voluntary Severance (ER/VS), for implementation by 31 July for the realisation of savings in 2025-26. This would be provided for by the £10m of cash already set aside under the Financial Recovery Plan of December 2023, which was built into the refinancing package at that time.
- 2.11 Stage 2 would finalise the design of a revised Target Operating Model (TOM) for implementation through the second half of 2025-26, in order for financial benefits to be recognised in 2026-27.
- 2.12 Stage 3 anticipated a return to revenue growth (including TNE) with a break-even position set against a much-revised cost base.
- 2.13 It was confirmed that the revised deficit position for 2025-26 would not negatively impact the University's covenant compliance or Going Concern status, as sufficient headroom (£6m) for debt service covenant compliance would be maintained. This would be required to cover plausible downside requirements.

CONFIDENTIAL MINUTE

2.14

[REDACTED]

2.15

Court provided comment and questions as follows:

- 2.16
- Members noted that, as part of the ongoing budget setting process, a forensic analysis had been undertaken of all budget lines, with all vacancies, underspends and projected increases having been removed from budgets. Clarification was sought that despite the savings this had offered, there remained a £7m budget gap to be closed to achieve a £6.5m deficit position for 2025-26. The Chief Financial Officer confirmed that all notional vacancies, allowances and potential areas of underspend had been removed from budgets prior to year end, which had generated additional savings of £6m. However, the budget gap of £7m remained, and it would therefore be essential to develop a Targeted Operating Model for the future.
- 2.17
- Court noted the significant and successful action already taken by the University to address the financial challenges it faced, and the stronger footing this had provided in comparison with many other institutions. However, assurance was sought that zero growth was a realistic worst-case scenario, given the critical sector position, the rapidly evolving global socio-political and economic picture and the year-on-year reduction in revenue being seen within the University's Annual Report & Accounts. Members queried whether the percentage of operating spend identified for removal was sufficient as a result. In response, the Principal reported that a degree of growth was anticipated across a number of revenue lines, including the September PGT student intake, and there were some signs of market stabilisation which were supporting the University's initiatives to remain competitive and retain market share. However, it was prudent not to rely on revenue in these areas until it could be fully confirmed. The Senior Governor reminded Members that the budget assumptions were still subject to change and that Court was being given early sight to ensure their information and awareness as the situation progressed. Members urged that SMT should continue to analyse the projections to give as high a degree of confidence as possible that zero growth was realistic.
- 2.18
- Court sought assurance that any future change management activity would be undertaken according to the principles outlined within the recent Gordon Report, which outlined the lessons learned from 2023-24 change activity within the School of Language, Literature, Music and Visual Culture (LLMVC). It was confirmed that the principles established by the report would be fully applied to initiatives under the Organisational Transformational Change programme. Comprehensive data sets were being provided to each School and Directorate as part of the budget setting process to outline the financial position of each area. The University was following a robust and data-informed process, centrally supported by the Planning Team, which would be continuously drawn upon to best understand the extent of

financial gaps and how best to move forward and consult on mitigating actions in line with the Gordon Principles. One Member suggested that Court should further discuss the recommendations arising from the Gordon Report from a strategic perspective, prior to its consideration of any more developed proposals regarding a new Targeted Operating Model.

- 2.19
- Members recognised that full recovery of student fee income to levels previously experienced was increasingly unlikely, and that doing nothing was not an option. Therefore, institutions and their governing boards would need to ensure that appropriate operating models were devised and implemented in response. Members stressed the importance of detailed analysis and data being available to underpin forward decision-making and to provide assurance that an appropriate Targeted Operating Model was being proposed. It was confirmed that no decisions were being sought at this stage and the current update was for awareness only, as analysis and development was ongoing. It was hoped that further progress towards targeted savings could be made over the coming weeks and SMT would continue work to identify the final budget gap. Further detailed reporting and proposals would then be presented to Court for consideration at its scheduled meeting on 30 April 2024.
- 2.20
- Members urged that the University should continue its initiatives to drive diversification of income streams, including pursuing opportunities to generate revenue via its estate and the Aberdeen visitor economy. It was noted that the new Chief Operating Officer would provide an update on developments under the *Reimagining the Campuses* Plan in due course.
- 2.21
- One Member queried whether, if it was known in February 2025 that a £5m budget gap existed, plans had already been in place to address this. The Principal confirmed that thought was already being given to how to address the projected shortfall, but that it was felt to be prudent to await the confirmed student number projections and the January 2025 intake outcomes in order to ascertain the true extent of the gap.
- 2.22
- Members asked regarding the targeted savings of a further round of Enhanced Retirement/Voluntary Severance. It was confirmed that, as analysis and review of School and Directorate budgets remained ongoing, it was difficult to quantify at this stage how much of the remaining budget gap would need to be sought in this way. There remained a number of budget elements that could be subjected to closer scrutiny, and the outcomes of this work would be reported to Court in April.

[Helen Martin offered apologies and left the meeting.]

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| 3 | <u>CLOSE AND DATE OF NEXT MEETING</u> | Verbal item |
| 3.1 | There being no other business to be transacted, the meeting was closed. | |
| 3.2 | It was confirmed that the next scheduled meeting of Court would be held on Wednesday 30 April 2025. | |