UNIVERSITY OF ABERDEEN

UNIVERSITY COURT

Minutes of extraordinary meeting held on 26 January 2019

Present: Ms M Chapman (in the Chair), Professor G Boyne, Mrs D Connelly, Mr C Duncan, Mrs J Fernandes, Mr J Hall (by teleconference), Ms L Jack (by teleconference), Mr D MacFarlane, Mr I Mackay (by teleconference), Ms L Menzies (by teleconference), Dr M Mills, Ms A Minto, Dr N Oren (by teleconference), Mr I Percival, Professor J Schaper (by teleconference), Dr R Shanks, Mrs J Shirreffs, Dr D Steyn (by teleconference) and Dr D Watts (by teleconference).

In attendance: Mr D Beattie, Mr A Donaldson, Mrs D Dyker, Mrs C Inglis, Professor M Campbell, Professor R Wells, Very Rev Professor I Torrance Kt, and Mr B Purdon (Clerk).

Apologies for absence were received from Professor N Booth, Professor M Delibegovic, Mr M Gilbert, Mrs K McPhail, Mr L Ogubie, and Mr B Paterson.

DECLARATION OF INTERESTS

115 No declarations of interest in the agenda were noted.

MINUTES AND ACTION LOG

116 The Minutes of the meeting held on 11 December 2018 were approved.

117 The Court noted the updated action log (copy filed with the principal copy of the minutes). In discussion, it was noted that meetings and an action plan with regard to the Research Institute of Scottish and Irish Studies had been put in place.

FINANCE AND ESTATES

BOND PROGRESS REPORT

118 The Court received a paper detailing the progress of the proposed private placement (bond) and other work related to the new borrowing (copy filed with the principal copy of the minutes). The paper also included a timetable for the private placement process, a draft of the proposed presentation to investors, a report on the indicative pricing and the Note Purchase Agreement.

119 The Court gave consideration to the proposed draft presentation to investors and members were invited to submit any further comments to the Director of Finance.

120 The Court discussed the potential period of borrowing, noting that indicative modelling in the report had been based on a period of 35 years but that the Operating Board had, in its scrutiny of the proposals, considered 30 years to be the most appropriate period of borrowing. As the terms of borrowing could move with current market uncertainty, the Court was, as part of the proposals, being asked to delegate to the Working Group the final decision on borrowing on behalf of the University including exercising flexibility to borrow at a rate up to +0.5% of the indicative market pricing and to decide on the most economic borrowing period.

121 Following discussion, the Court:

1) Noted the progress with implementation of the pension guarantee.
2) Noted the ongoing refinement of the Barclays covenants.
3) Agreed to delegate to the Bond Working Group all powers, authorities and discretions of the Court as may be necessary for the authorisation of all acts, matters, persons or documents in connection with the bond, including the ability to agree the bond pricing and length, with the maximum interest rate being up to 0.5% above the indicative market rate. Further the Working Group, if advantageous to the University, was authorised to delay drawdown of the bond.
4) The Court noted that it was authorised on behalf of the University to:
execute and sign the Note Purchase Agreement in accordance with Ordinance 113 of the University with such variations or amendments, if any, as may be approved in the discretion of the relevant signatories; and

execute and sign any other documents, notices, letters or certificates that are, in the opinion of the relevant signatories, considered necessary for the purpose of issuing the bonds.

5) Noted the formal request to the Scottish Funding Council (SFC) to undertake the borrowing and that SFC had granted this request.

6) Noted the risks to the University, particularly those around early repayment and the failure to meet covenants.

INTERNAL COVENANTS

122 The Court received a paper on the internal covenants related to the proposed Bond (*copy filed with the principal copy of the minutes*). The paper proposed changes to the wording within the University's Financial Regulations relating to the Bond and repayment parameters and internal covenants which would be required for the University to monitor its financial position, in relation to both the additional costs and debt attributed to the Bond. The paper further outlined the risks associated with the additional borrowing and the likely impact on the University's available cash for investment.

123 Following discussion, the Court:

1) Approved the formal drafting changes to the University's Financial Regulations.

2) Agreed the principles around repaying debt and the indicative debt repayment plan (noting that this would be updated when the actual length of borrowing was finalised).

3) Agreed the proposed internal covenants which include assumptions and tests relating to the Repayment of Borrowed funds, the Gearing test and Debt Service Cover.

4) Noted that there would be an Annual Financing Report to Court prepared each year to assess compliance with the Financial Regulations, the proposed repayment plan and the University's external and internal covenants. In addition to that annual reporting, the Court agreed that if the University breached the financial regulations (or it was evident that a breach was likely to occur), this should be reported to Court as soon as practicable.

5) Noted the risk analysis, including the potential impact of Brexit on the available cash for investment.

DEVELOPMENT OF THE ESTATE

124 The Court received a paper and presentation on the proposed next steps for the transformational development of the King's College estate (*copy filed with the principal copy of the minutes*).

125 The paper set out two priorities for the use of bond funding in line with the objectives for the development of the King's College estate previously discussed by Court, in particular in December 2018. Those objectives were focused on: significantly improving the quality and capacity of teaching and learning space in King’s College, to improve the student experience and to facilitate planned growth in the student population, notably among the PGT and international student cohorts (predominantly within the Business School); a solution for long term accommodation for the Business School, giving it first-in-class facilities which will underpin its ambitions for growth; and, plans to markedly enhance and repurpose buildings in key parts of the campus, particularly the historic core.

126 Consequently, two priorities for use of bond funding had been identified - transformation of teaching and learning spaces on King's Campus and new facilities for the Business School. The transformation of teaching and learning spaces would focus on the re-development of the historic core of King's (Cromwell Tower, Stack and Senate Wing, New King's) and the wider modernisation of teaching facilities across the Old Aberdeen campus. For the Business School, following high-level consideration of different options, it was recommended that the Business School be located within the MacRobert Building. This had been shown to be a
significantly more cost-effective option than a new-build and could also be delivered significantly quicker. The paper acknowledged, however, that arrangements would also need to be made for Education and Music to retain access to their current teaching facilities in MacRobert, or to be provided with alternative facilities of comparable quality.

127 To take these projects forward, it was proposed to establish two project boards to develop a robust business case which specified the scope of work envisaged, appraised options, including high level briefs with cost estimates, and which mapped out a high-level timeline for delivery with key milestones. Each business case would also include a clear return on investment projection. The Programme Boards would report through the Capital Programme Management Committee to Operating Board.

128 In discussion, the Court welcomed the potential visualisation and ways the core of the King’s campus might be transformed and allow staff and students access to very high quality modern teaching space within a historic setting. It was suggested that consideration could be given to whether this could also accommodate performance space for Music. It was also noted, however, that the overriding primary objective for the investment was to attract and accommodate growth in student numbers and support financial growth. The Court also discussed the way in which the wider investment in teaching facilities might also support growth in postgraduate research students as well as postgraduate taught students.

129 The Court approved the establishment of the two programme boards: Teaching and Learning Space Transformation Programme Board and the MacRobert Building Programme Board.

UPDATE ON RECRUITMENT OF THE SENIOR GOVERNOR

130 The Court received a brief oral update from the Secretary following the close of the applications phase for the recruitment of the Senior Governor on Friday 25 January 2019. In discussion, the Court was reminded that the remit of the Appointment Committee was to determine if applicants were eligible and met the criteria for the role and could progress to stand in the election.

DRAFT MINUTES OF THE OPERATING BOARD MEETING OF 17 JANUARY 2019

131 The Court received and noted the draft minutes of the Operating Board meeting of 17 January 2019 (copy filed with the principal copy of the minutes)

DATE OF NEXT MEETING

132 The Court noted that the next scheduled meeting would be held on Tuesday 26 March 2019.