

UNIVERSITY OF ABERDEEN

UNIVERSITY COURT

**MINUTES OF MEETING HELD REMOTELY VIA MICROSOFT TEAMS ON 23 FEBRUARY 2021**

Present: Maggie Chapman (in the Chair), Eleanor Bentley, George Boyne, Nuala Booth, Owen Cox, Nick Edwards, David MacFarlane, Iain Mackay, Helen Martin, Gary McRae, Lyndsay Menzies, Anne Minto, Iain Percival, Joachim Schaper, Jenny Shirreffs, Diane Skatun, Lindsay Tibbetts, Neil Vargesson and Cecilia Wallback.

In attendance: David Beattie, Marion Campbell, Rob Donelson, Debbie Dyker, Jenny Fernandes, Karl Leydecker, Tracey Slaven, Alan Speight, Ruth Taylor, Iain Torrance KCVO, Richard Wells and Bruce Purdon (Clerk).

Apologies for absence were received on behalf of Keith Anderson, Colette Backwell, Louise Henrard and Martin Mills.

WELCOME AND INTRODUCTIONS

389 The Court welcomed Tracey Slaven to her first meeting of Court since commencing her appointment as University Secretary and Chief Operating Officer.

DECLARATION OF INTEREST AND CONSIDERATION OF FORMAL BUSINESS

390 The Court noted the standing reminder of the responsibilities of Court and those of members as charity trustees (*copy filed with the principal copy of the Minutes*).

MINUTES

391 The Minutes of the meeting held on 24 November 2020 were approved.

392 The Court noted the updated Action Log (*copy filed with the principal copy of the Minutes*).

393 It was noted that, with regard to minute 245 and the charitable status of the University, the Development Trust had received acknowledgement from the charities regulator of its application to change its charitable form to that of a Scottish Charitable Incorporated Organisation (SCIO). It was confirmed that the University would seek advice on corporate form options, including any implications for the relationship resulting from the change in charitable form of the Development Trust.

394 It was confirmed that with regard to minute 316 of November 2020 a report from the Governance and Nominations Committee would be provided to the Court meeting of 23 March 2021.

MATTERS ARISING

**SRI LANKA MEDICAL PATHWAY**

395 The Court received and noted a paper advising that the Policy and Resources Committee (PaRC) had received confirmation at its last meeting that, because of the withdrawal of the clinical placement partner, the Sri Lanka Medical Pathway was unable to proceed and the project had been closed (*copy filed with the principal copy of the Minutes*). The changed status of the project was included within the consideration of the Going Concern assessment undertaken as part of the audit process for the annual accounts. The paper also reported on the arrangements that would be put in place to teach out the current students on the pathway, to communicate the decision and manage any consequential reputational and financial risks to the University.

- 396 The Court discussed whether there were any lessons to learn from the assessment of partners undertaken at the pre-approval stage of the project, however, it was noted that in this case, that process was considered to have been robust. It was also noted that alternative partner options could not be progressed due to the pandemic restrictions. It was not possible for the University or General Medical Council to undertake the in-country assessment activities required,
- 397 The Court noted the decision to terminate the project.

#### ORAL REPORT FROM THE INTERIM SENIOR GOVERNOR

- 398 The Interim Senior Governor reported on the main items of business that had been considered at a recent meeting of the Committee of Scottish University Chairs (CSC) which she had attended. The Senior Governor also noted that a further meeting of CSC with the Scottish Cabinet Secretary was forthcoming as was a meeting of the UK level Committee of University Chairs.

#### ORAL REPORT FROM THE PRINCIPAL

- 399 The Principal highlighted to Court that the University had recently concluded a comprehensive staff survey process, the first since 2018, and that the Court would receive a full report on this at its next meeting. The Principal noted that key messages from the results were an improvement in morale, a positive comparison with sector benchmarks but that workload was an area of concern. The University was responding to that concern and this would be discussed further in the report to Court.
- 400 The Principal also updated Court on the consideration that had been given to the burden placed upon students by the pandemic and noted that a further meeting of the Senate would be held to consider the question of how procedures for the assessment and progression of students should take those circumstances into account.
- 401 The Principal advised Court that the University's January postgraduate student intake had been positive, particularly in the circumstances of the pandemic. The Scottish Government had announced some additional funding would be made available to help universities respond to the pandemic, which was welcomed. In discussion, it was confirmed the University expected to be able to use that funding flexibly to help, amongst others, dental students who were being required to repeat the year. While yet to be formally confirmed, the University was confident that the Scottish Funding Council would agree that funded places for EU students would in future be maintained as funded places for Scottish domiciled students, which would be welcomed by the University.

#### ANNUAL REPORT & ACCOUNTS, AUDIT AND FINANCIAL REPORTS

##### **GOING CONCERN ANALYSIS**

- 402 The Court received and considered a paper on the University's projected cash flows and short-term financing risks accounts, which set out the basis upon which the University could be considered to continue on a going concern basis for a period of 12 months from the date of approval of the accounts (*copy filed with the principal copy of the Minutes*). The paper had previously been considered by the Audit and Risk Committee and the Policy and Resources Committee (PaRC) but since then had been updated to take account of revised and improved financial forecast information.
- 403 The Court noted the projected impact of further Covid restrictions on Residences and Catering and Tuition Fee income and that having considered this, the Audit and Risk Committee had requested that PaRC seek assurance that the £2M of savings required to meet loan covenants could be achieved. The PaRC considered proposals from the University at its meeting of 2 February and had agreed the necessary cost savings should be implemented. These

included £2.448M of savings and new income which had been identified and £0.25M of the contingency budget which would be utilised to mitigate against that shortfall.

404 In discussion, the Court was advised that subsequent to the paper being prepared, the University's latest forecasts on student numbers were more positive, providing further comfort on going concern and covenant compliance. The Chair of the Audit and Risk Committee confirmed that the Committee had reviewed the position and welcomed the more positive financial forecast that had been reported in the meeting. The Chair of the Audit and Risk Committee also noted that it had commended the Finance Team on the high quality of all the papers it had received in relation to the annual accounts, including the quality of the annual report itself. The Court was also advised that the external auditors had confirmed that they were content with the measures taken by the University and thus intended to provide a clean audit opinion.

405 Following discussion, the Court:

- 1) Noted that as a result of the actions set out in the paper, the revised underlying deficit of £2.5M allowed the University to comply with the Debt Service Cover financial covenant test, with some additional headroom for further adverse movements in income or expenditure.
- 2) Noted that this meant the University did not require covenant amendments at this time, but would continue to monitor the impact of Covid on income. If further reductions in income resulted in a forecast breach of covenants, the University would engage further with lenders on covenant amendment.
- 3) Accepted the Audit and Risk Committee's recommendation, that the University could be considered as a going concern for at least 12 months after the date of signing the 2019/20 accounts and that the accounts could be prepared on that basis.
- 4) Noted that the Audit and Risk Committee, PaRC and external auditors recognise that there was still the potential for income volatility, particularly with International postgraduate taught student recruitment, and had asked to be advised if the University considered that its projections were likely to be materially adversely affected and thus impact covenant compliance.

#### **FINANCING UPDATE REPORT YEAR END 31 JULY 2020**

406 The Court received and considered a paper which outlined the University's long-term financing and assessed compliance with both internal and external covenants which had been updated as requested by the Audit and Risk Committee (*copy filed with the principal copy of the Minutes*).

407 The Court noted the report's conclusion and was further assured by the consideration given by the Audit and Risk Committee to the University's ability to meet the internal and external debt service and gearing financial covenant tests. It was also noted that the impact of pensions valuations could significantly impact on the outcome of some of the financial tests used.

408 The Court:

- 1) Noted that the University had met both the internal and external debt service and gearing financial covenant tests for the financial year to 31 July 2020;
- 2) Noted that, due to the financial covenants being met, there was no requirement to develop a recovery plan at this point; and
- 3) Noted the updated counterparty list of banks that the University could place funds with as approved by the Audit and Risk Committee.

## **ANNUAL REPORT AND ACCOUNTS FOR YEAR END 31 JULY 2020**

- 409 The Court received and considered the Annual Report and Accounts for the year ended 31 July 2020 (*copy filed with the principal copy of the Minutes*).
- 410 Due to the impact of the pandemic and the additional Going Concern analysis required, the Scottish Funding Council had extended the deadline for the return of the accounts for all universities from 30 November 2020 to 28 February 2021. As a result, the University had also agreed on a similar extension for submission of the signed accounts to its lenders.
- 411 The Court noted that the annual report and accounts had been considered by the Audit and Risk Committee, which recommended their approval to Court. The University group accounts reported a surplus of £19.1M for the year ended 31 July 2020 which was largely due to the underlying surplus position of £6.5M from normal operating activities and the overall positive movement of £12.7M for the Universities Superannuation Scheme (USS) and University of Aberdeen Superannuation & Life Assurance Scheme (UASLAS) pension liability figures.
- 412 The Court approved the Annual Report and Accounts for submission to the Scottish Funding Council.

## **EXTERNAL AUDITORS' REPORT & REPRESENTATION LETTER**

- 413 The Court received and considered the External Auditor's Report for the year ending 31 July 2020, together with the University's Representation Letter (*copies filed with the principal copy of the Minutes*).
- 414 The Court noted that the External Auditor had completed the audit of the University group accounts and had provided a clean audit certificate but that this had been subject to the confirmation of the going concern position with the auditors. As noted above, the auditors had received the assurance they required regarding going concern and were content to provide a clean audit opinion.
- 415 The Court noted that the Audit and Risk Committee endorsed the representation letter which was to be signed on behalf of Court by the Interim Senior Governor.

## **AUDIT AND RISK COMMITTEE ANNUAL REPORT**

- 416 The Court received and considered the Annual Audit and Risk Committee Report for the period from 1 August 2019 to 31 July 2020 (*copy filed with the principal copy of the Minutes*). The report was required to be submitted to the Scottish Funding Council together with the Annual Report and Accounts.
- 417 The Court noted that it was the duty of the Audit and Risk Committee to report to it any matters that had required particular attention during the year, including any critical or high risk internal audit recommendations, and any reports of fraud or whistleblowing. The Court noted that these were included in the Committee's report. The Court also noted that the Audit and Risk Committee had confirmed that it was satisfied with the work of both the Internal and External Auditors.
- 418 The Court approved the report for submission to the Scottish Funding Council.

## **INTERNAL AUDITORS' ANNUAL REPORT**

- 419 The Court received and considered the Internal Auditors' Report 2019/2020 (*copy filed with the principal copy of the Minutes*). The report incorporated the Head of Internal Audit's opinion, which ascribed an overall rating for the University as *Generally satisfactory with some improvements required* (for all areas but with two exceptions). The Court noted that the two exceptions had been reported to it previously, together with the reviews the University was

undertaking in response to these. The Court noted that the Audit and Risk Committee had received interim reports on the progress of these reviews and that both bodies would receive the final reports of these once completed.

## RECRUITMENT OF SENIOR GOVERNOR

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#### Recommendations from Senior Governor Appointment Committee

- 420 The Court received and considered a paper from the Senior Governor Appointment Committee (*copy filed with the principal copy of the Minutes*), setting out its recommendations with regard to the role description and relevant criteria for the position of Senior Governor and the election rules for the process.
- 421 In discussion, it was noted that the Committee had agreed on the need to ensure greater diversity of applicants. It had also, as part of its work, considered the lessons learned report that was prepared following the operation of the process in 2018/19. The Committee had considered all of the points arising from that report with the exception of whether alumni should be able to vote in the election of the Senior Governor. It had subsequently been confirmed, however, that this was not permitted under the Higher Education Governance (Scotland) Act and, therefore, outwith the Court's control.
- 422 The Court also discussed the value for money of using search consultants for both the Senior Governor and independent Court member recruitment processes. It was acknowledged that this did require expenditure, but that the consultants had been procured through the APUC Framework and the costs were at the same level as in previous recruitment rounds. It was also noted that the lessons learned report from 2018/19 had concluded that the use of search consultants had been crucial to attracting strong candidates, particularly given that the electoral component of the process was regarded to be unattractive to many potential applicants.
- 423 The Court:
- 1) Agreed the proposed role description, person specification and eligibility criteria for the position;
  - 2) Approved the proposed updates to the Court's election rules for the process;
  - 3) Noted the proposed timeframe for the process;
  - 4) Noted the appointment of search consultants and the emphasis that the Committee had placed upon encouraging a diverse and inclusive field of applicants;
  - 5) Noted that given the circumstances of the pandemic the operation of the process might need to be restricted to comply with prevailing Scottish Government rules and that the working assumption would, therefore, be for the process to be conducted 'online' unless otherwise possible.
  - 6) Noted that information on the cost of using search consultants would be provided to Court as part of a wider report on the process once completed.

#### Recommendations from Remuneration Committee

- 424 The Court received and considered a paper from the Remuneration Committee on the proposed terms of appointment and remuneration for the position of Senior Governor (*copy filed with the principal copy of the Minutes*).
- 425 In discussion, it was confirmed that the payment of expenses would be in accordance with Court and University's policies and would require the approval of the Secretary.

426 On the recommendation of the Committee, the Court agreed:

- 1) That the present daily rate of £400 and the number of days required of 50 days per year, remained appropriate.
- 2) That rather than a contract for service, the nature of appointment should be on the basis of an 'office holder' as defined by HMRC.
- 3) Remuneration would be paid as an honorarium in the amount of £20,000, based on recommendation one above, while noting that the office holder may choose to decline or donate the remuneration. Remuneration, if taken by the office holder, would be paid on a monthly basis, in arrears and would be subject to tax and national insurance in the normal way.
- 4) Reasonable expenses would be paid within the University's expenses policy. The place of work for undertaking remunerated duties as the Senior Governor would be the University. Taxation of expenses would be determined by whether or not the office holder was in receipt of an honorarium.

#### RE-APPOINTMENT AND RECRUITMENT OF INDEPENDENT MEMBERS OF COURT

##### **RE-APPOINTMENT AND RECRUITMENT OF INDEPENDENT MEMBERS OF COURT: RECOMMENDATIONS FROM GOVERNANCE AND NOMINATIONS COMMITTEE**

427 The Court received and considered a paper from the Governance and Nominations Committee on the process for the forthcoming recruitment of a minimum of three independent members of Court, together with a recommendation for the re-appointment of an independent member of Court (*copy filed with the principal copy of the Minutes*).

428 In discussion, it was agreed that consideration would be given as to whether the wording of the person specification could be updated to provide some encouragement to applicants who could enhance the Court's diversity but who might otherwise feel dissuaded from applying by other aspects of the criteria specified. The Court also discussed whether international experience should be emphasised further in the person specification but it was agreed the Court already had a number of members who brought that skill set and that it would wish to keep the pool of applicants as broad as possible.

429 It was noted that the Court's skills register was to be updated by the Governance and Nominations Committee and that this would include reviewing the current terminology used with regard to Energy and Oil and Gas to better capture the field of energy transition.

430 The Court

- 1) Approved the reappointment of Anne Minto as an independent member of Court for a further period of three years w.e.f 1 August 2021;
- 2) Approved the governor role description, the proposed person specification/further particulars and the prioritisation of skills/experience for the forthcoming recruitment of independent members;
- 3) Noted that widening the diversity of Court would be a key priority for the recruitment process, in addition to meeting the requirements of the Gender Representation on Public Boards legislation.
- 4) Noted the establishment by Governance and Nominations Committee of a sub-committee as detailed in the paper to act as the selection panel with delegated authority to make recommendations on appointment directly to Court;

- 5) Noted that under the agreed University procurement framework the appointment of the first ranked firm of search consultants to support the process;
- 6) Noted the intention to run the recruitment process in parallel with the Senior Governor recruitment process to maximise the potential fields for both.

#### DATE OF NEXT MEETING

431 It was noted that the next meeting of the University Court would be held on 23 March 2021, 9.00 am – 3.00 pm (subsequently amended to 9am to 1pm).

Note by Clerk: Due to Covid-19 restrictions a signed copy of the minutes could not be arranged. These are, however, confirmed by the Clerk as the agreed record of the meeting.

Date: 23 March 2021