

UNIVERSITY OF ABERDEEN

UNIVERSITY COURT

Minutes of extraordinary meeting held on 16 February 2018

Present: Mr M Gilbert (in the Chair), Professor N Booth, Professor M Delibegovic, Mr C Duncan (by teleconference for minutes 158 to 163), Mrs J Fernandes, Mr J Hall (by teleconference), Ms L Jack (by teleconference for minutes 154 to 164), Mr D MacFarlane, Mr I Mackay (by teleconference for minutes 159 to 163), Mrs K McPhail, Dr M Mills, Ms A Minto, Ms L Menzies, Mr L Ogubie, Dr N Oren, Mr B Paterson, Mr I Percival, Professor J Schaper, Dr R Shanks (by teleconference), Mrs J Shirreffs, Ms K Smith, Dr D Steyn and Dr D Watts.

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

Apologies for absence were received from the Principal who was overseas on a visit to the new Sri Lanka medical education partnership.

DECLARATION OF INTERESTS AND ORDER OF BUSINESS

- 154 No declarations of interest in the agenda were noted.
- 155 The Senior Governor reminded Court that it was an extraordinary meeting which had been called to consider the specific item of financial sustainability only and the agenda had therefore been restricted to items of business related to that. The Senior Governor also reminded members of their personal fiduciary responsibility as charitable trustees to take decisions in the collective best interests of the charity.

MINUTES AND ACTION LOG

- 156 The Minutes of the meeting held on 12 December 2017 were approved.
- 157 The Court noted the updated Action Log (*copy filed with the principal copy of the minutes*), subject to a minor correction to the date of the April meeting of Court.

FINANCIAL SUSTAINABILITY

FINANCIAL SUSTAINABILITY PART 2

- 158 The Court received an extensive paper and a presentation with further information from the Senior Vice-Principal on financial sustainability (*copy filed with the principal copy of the minutes*) which detailed the University's current and future forecast financial position and strategic options to enable growth and investment. The paper included, in particular, a key proposal for additional borrowing via the launch of a multi-million pound bond (estimated to be a minimum of £50M) to support capital investment in new world class facilities, capable of attracting more students and staff to Aberdeen and accelerating growth in income. The Court also received a copy of the paper it had considered at its previous meeting on financial sustainability.
- 159 The Court noted that the proposal for a bond was conditional upon achieving the Court's agreed financial strategy of a break-even position by 2019/20. The paper, therefore, outlined a series of options and steps that had been considered to achieve a break-even position by 2019/20 together with other options, including reliance on income growth alone to deliver the financial strategy, delaying delivery of a break-even position to 2023, and delivery of a surplus by 2019/20.
- 160 The Court discussed the principle of additional borrowing through a bond to enable capital

investment and stimulate income generation. As noted in the paper, the proposal was based on a small working group being established to oversee the process, including the agreement of key principles and criteria for the allocation of the funds, and taking into account that:

- The underlying operating position of the University is sustained at a minimum of break-even to ensure appropriate interest cover for loan repayments;
- The investment is for new capital projects only, supporting development of the King's campus; annual cash generation being used for ongoing maintenance and modernisation of the current estate;
- The projects funded by new investment are able to demonstrate tangible returns on investment;
- The cost of borrowing had not been factored into the financial projections but should the strategy be agreed by Court the appropriate due diligence as outlined (in the preceding three points) would be progressed and the associated costs factored into future budget projections.

161 In discussion, it was noted that the current market for borrowing was very competitive and there was the potential to secure long-term borrowing at rates below the rate of inflation. There was broad agreement that a strategy of additional borrowing was, therefore, timely. The Court discussed what investment a bond might be used for, including whether a bond should be used to invest in staffing as well as in capital projects. While some members felt borrowing should be used to invest in staff, it was noted by the Senior Vice-Principal, and endorsed by the Convener of the Audit Committee, that staff appointments were transient and that such investment would not be appropriate for a long-term bond, nor should a bond be used to underwrite an operating deficit. The Court accepted the principle of additional borrowing through a bond for capital investment in projects which were able to demonstrate tangible returns on investment.

162 The Court then discussed the options for financial sustainability in support of a bond as set out in the paper, but with a particular focus around option C. This option assumed that the Court maintained its strategy of break even by 2020 as agreed by Court in June 2017. It assumed savings from central management of £0.2m, academic areas of £2.65m and a further £0.65m from Professional Services in order to break even by 2019/20. It outlined that detailed discussions had been held with Schools to determine the academic savings which would be required through a combination of retirements, vacancy management and redundancy*. While closure or merger of Schools had been considered but not recommended, option C did involve academic reshaping to identify academic areas where the University should cease teaching, or significantly restructure and refocus teaching activities.

163 There followed an extensive discussion of the options presented in the paper, which included the following points:

- A sustained period of operating deficits would not enable the University to deliver growth and, therefore, had to be addressed otherwise the achievement of growth would become successively more difficult. The securing of a bond without a credible plan to address the forecast deficit position would also be unlikely to succeed and inconsistent with the fiduciary responsibilities of Court.
- The uncertainties of Brexit and the importance of EU students to the University would present further challenges to income. This reinforced the need for a break-even position to be achieved as the foundation from which to invest and grow in order to overcome future challenges like Brexit.
- A member queried whether the paper was sufficiently evidenced to enable the Court to verify the conclusions presented within it.
- The extent to which the level of income growth from the Schools was sufficiently ambitious was discussed and whether the budget projections were as a result more negative than was realistic. It was also noted, however, that the Court had to take decisions on the basis of the level of income growth that senior management, in consultation with the Schools, considered to be realistic.
- The focus on growth in international student numbers and the extent to which the University should avoid over reliance on one income stream was raised. Growth of other income streams should be encouraged. It was suggested, however, that the

market for international students was extensive and that the University should be able to compete with the growth of its peers. This required a culture which was responsive to student and market demand.

- The importance of ensuring that academic staff were appropriately supported by the right level of professional services staff to make the most effective use of their time was highlighted. In the context of previous reductions in professional services budgets, it was suggested that decisions on both academic reshaping and the professional services should be cognisant of this point.
- The Court was advised that Option C sought to be strategic in how any necessary reductions in staff costs would be achieved.
- The further options of delaying the achievement of a break-even position to 2023 were discussed although it was noted this would make the achievement of a bond more difficult and delay its delivery and therefore the essential investment for growth that was needed. Equally, some members advocated the option of achieving a surplus position by 2019/20.
- The importance of ensuring, as far as possible, that whatever steps were taken forward did not jeopardise the student experience or teaching/research income was noted. It was also suggested that the University should consider the potential loss of staff through early retirement given the possible changes to the USS pension scheme.

164 Following this discussion, a motion on decision was moved in writing by an Independent member of Court and seconded by a Senate Assessor member. Two separate amendments to the motion were proposed from Senate Assessors, which with the consent of the Court were considered and incorporated. The motion with both amendments in writing, was put to a vote and was passed by a majority, with no votes against and one abstention (two members present at the start of the meeting had left the meeting and, therefore, were unable to vote). The motion as passed stated that the Court agreed:

- 1) That Option C*, as set out in the Financial Sustainability paper (item 3.1), be taken forward under consultation to support the delivery of the financial strategy of a break-even position by 2019/20 which also explores opportunities for additional revenue growth.
- 2) To approve the approach to borrowing and that it be progressed by the working group as set out at 7.8 of the paper; and confirm such borrowing is contingent upon a strategy to achieve a break-even position in 2019/20.

* Note by Clerk: At the Court meeting of 4 April 2018, a point of clarification was sought regarding Minute 162 and 164 in relation to the delivery of the financial strategy. It was confirmed by the Court on 4 April 2018 that this should not include the use of compulsory redundancies without another paper coming to Court, but could include the use of capability and performance management processes.

MOTION FROM SENATE 24 JANUARY 2018

165 The Court received a paper (*copy filed with the principal copy of the minutes*) communicating a motion considered by Senate at its extraordinary meeting held on 24 January 2018. The Court noted that the motion called for:

- (1) The establishment of a Joint Court and Senate Working Group on the Financial Position of the University be authorised by Court with the remit of assessing the financial position of the University and to consider what measures are necessary to improve the financial position of the University in order to best deliver its mission as set out in its Strategic Plan 2015-2020. This working group to deliver a report with recommendations by the end of May or by such date as Court should deem appropriate.
- (2) That no major changes in the structure or expenditure of the University be approved until the meaningful dialogue called for (in section 1) had occurred and until the Court-Senate Working Group called for in (1) had delivered its report to Court and Senate.

- 166 The Court considered the motion but noted that it had agreed on the need to proceed with investment through a bond and the delivery of the Court's financial strategy to support this, and that, as part of that decision, it had also agreed to establish a working group with regard to a bond. For that reason, the Court noted the request of the motion from Senate but acknowledged this had been surpassed by the preceding decision of Court. The Court agreed, however, that the working group proposed above (at minute 160) should include a member of staff from Court. The Court also noted that the views of Senate would continue to be represented on Court through the four elected Senate Assessors.

OPTIONS FOR GROWTH: PAPER FROM ELECTED ACADEMIC STAFF MEMBER ON COURT

- 167 The Court received a paper from the elected academic staff member of Court which reflected on the consideration by Court at its previous meeting of financial sustainability (*copy filed with the principal copy of the minutes*). The paper covered a wide range of issues, including the relationship between teaching and research activity and the extent to which they should be income generating, the charitable purposes of the University, the potential to grow income streams outside of teaching and research, how to make the most effective use of staff time, and the University's engagement with the wider region and Scotland.
- 168 The Court welcomed the paper's emphasis on identifying additional income streams beyond teaching and research. In discussion, it was suggested that the paper's specific proposals would require a supporting business case with appropriate financial information before a full view on their feasibility or otherwise could be reached. It was also suggested that the potential for additional income streams, while welcome, did not at this stage negate the need for the University to raise its relative performance in its core academic activities. The Court also discussed examples of how the University could make greater use of its cultural and historical assets in ways that would generate both income and raise its profile and its reputation.
- 169 The Court discussed the importance of effective political engagement with the Scottish Parliament and the promotion regionally and nationally of the University's activities and interests. The Court was also reminded of the scope for greater use of alumni and the Business Committee of the General Council to help advance the reputation of the University. A number of further ideas and suggestions on how the interests and reputation of the University could be furthered in a regional and national context were made, including through there being a Vice-Principal with responsibility for external relations.
- 170 The Court agreed that the Senior Vice-Principal should consider the suggestion with regard to a future role for a Vice-Principal for external relations, together with the comments on how the promotion of the University could be enhanced. The Court also agreed that, with regard to the specific ideas for income growth, these required supporting financial information in order to be considered further but that the Senior Vice-Principal should convene a working group to consider these and other ideas for income growth, with the input of the elected academic staff member and others as appropriate.

DATE OF NEXT MEETING

- 171 The Court noted that the next scheduled meeting would be held on Wednesday 4 April 2018 at 9.00am.