

**MINUTES OF THE COURT MEETING (UC) UNIVERSITY OF THE
HIGHLANDS AND ISLANDS
HELD ON WEDNESDAY 17th DECEMBER 2014 AT 15:30 HRS
IN ROOM EO1, EXECUTIVE OFFICE, NESS WALK, INVERNESS**

PRESENT: Garry Coutts (Chair)
Professor Clive Mulholland (UHI Principal and Vice-chancellor)
Dr Michael Foxley – (Chair of UHI FE Regional Board)
Professor Fiona McLean (Vice Chair)
Dr David Alston
Willie Printie
Gillian Berkeley - VC
Eileen Mackay - VC
Peter Campbell - VC
Angus Ross
Anton Edwards
Malcolm Burr
Andy Rogers - VC
Dr David Worthington
Rachel Parker
Matthew Cameron
Vicki Nairn
Iseabail Mactaggart

IN ATTENDANCE: Fiona Larg (Chief Operating Officer & Secretary(COOS))
Dr Jeff Howarth (Vice Principal Enterprise)
Professor Ian Bryden (Vice Principal Research & Specialist)
Mike Devenney – VC (Vice Principal Further Education) - VC
Crichton Lang (Deputy Principal)
Lorna MacDonald (Finance Director) in part
Roger Sendall (Corporate Governance Manager)

APOLOGIES: Professor Kenneth Miller
James MacDonald

ITEM	ACTION
1 INTRODUCTION	
1.1 Welcome and Quorum.	
It was noted that a quorum was present. The Chair welcomed Angus Ross and Matthew Cameron to their first Court meeting.	
1.2 Declarations of Interest:	
None.	
1.3 Notification of any other Business.	
None.	
2 MINUTES OF MEETINGS	
2.1 Approval of Court Minutes	
The Court resolved to approve the minutes of the meetings held on 9 th October (UC14-073) and 17 th November 2014 (UC14-073b) subject to one minor amendment.	
2.2 Matters Arising	
The Court noted the Matters Arising paper UC14-074.	
2.3 Minutes from Committees of Court	
The Court reviewed the minutes of the following committee meetings:	
<ul style="list-style-type: none"> • UC14-075 – Audit Committee 3rd December 2014 • UC14-076 – Further Education Regional Board 4th December 2014 • UC14-077 - Finance and General Purposes Committee 3rd December 2014 • UC14-078 – UHI Foundation 17th November 2014 	
The following points were highlighted:	
<ul style="list-style-type: none"> • The Audit Committee and Finance and General Purposes Committee had met together on 4th December with the external auditors to review the University's statutory accounts for the year ended 31st July 2014. It was noted that the audit had proceeded very well and that the external auditors had reported to the committee that the UHI Finance staff had been very well prepared and helpful throughout the process. • The Audit Committee had expressed concern that too many high level risks were stable on the High Level Risk Register with actions in place failing to reduce the risk from one quarter to the next. The committee had requested that these be brought to the attention of the Court and that mitigations be reconsidered. The Chair advised that this issue was on the agenda today at item 5.1. 	

- The Audit Committee was pleased to note that Academic Partners (APs) were beginning to liaise more closely with the UHI Head of Internal Audit and that a meeting of AP Audit Chairs had been arranged in January 2015 to examine way to improve partnership audit assurance controls including a possible shared service approach to undertaking internal audit services.
- The Chair of FERB reported that a serious issue had arisen with regard to a shortfall in FE student support funding for the region of approximately £1.2M. This was due to the total national funding allocation being reduced by 75% on the previous year. Urgent discussions were being pursued currently with the Scottish Government and SFC in an effort to increase allocations.
- The ONS decision to reclassify Incorporated Colleges as Public Bodies was continuing to cause challenges for affected APs particularly as a result of their inability to retain reserves. Court noted that English and Welsh incorporated colleges were not affected by the ONS decision because Ministers in those jurisdictions had introduced a legislative exemption. The previous Scottish Cabinet Secretary had been unwilling to provide the same exemption for Scottish institutions, however, following the recent Scottish Cabinet reshuffle a new Minister was now in post and Court considered that it would be worthwhile to lobby the new Minister on this issue.

3 CHAIRMAN/PRINCIPALS COMMENTS

The Principal advised members that the University had received early notification of the results of the Research Excellence Framework (REF) that would be published on 18th December. Court was delighted to learn that the University had performed exceptionally well in the REF with over 65% of the research submitted achieving a 3 or 4 star rating (internationally excellent/world leading).

The Principal explained that the actual results were embargoed until 18th December. It was noted that a comprehensive communications plan had been developed for staff and stakeholders and the results would be circulated before Christmas. A full report on the results including benchmarking against other HEIs would be provided to Court in March 2015.

4 COMMITTEES AND MEMBERSHIP

4.1 Audit Committee Terms of Reference

Court approved paper UC14-079 comprising amended terms of reference (TOR) for the committee. It was suggested that the TOR be amended further to clarify that no member of management should be permitted to become a member of the committee.

4.2 Nominations Committee

The Chair reported that the Nominations Committee had been asked to approve two appointments to the Finance and General Purposes Committee. Court agreed to accept the decision of the committee.

5	GOVERNANCE	CGM
5.1	Statement of Primary Responsibilities	COOS
	<p>Court approved paper UC14-080 providing an updated Statement of Primary Responsibilities for members of the Court. The document would be published on the University's website.</p>	
	<p>It was noted that a new policy on Academic Freedom would be provided to Court in March.</p>	
5.2	Standing Orders	CGM
	<p>Court approved paper UC14-081 providing updated Standing Orders for members of the Court. The document would be published on the University's website</p>	
5.3	Revised Anti Bribery Policy and Statement	COOS
	<p>Court approved paper UC14-82 comprising an updated Anti Bribery Policy and an associated statement to be signed by the Chair and Principal and Vice Chancellor affirming the Courts commitment to compliance with the policy.</p>	
	<p>It was agreed in future that the annual compliance statement should be incorporated within the existing Statement of Internal Control process.</p>	
5.4	Shared Services	COOS
	<p>Court approved the recommendations in principle that were set out within paper UC14-083 prepared by the Director of Shared Services providing an outline of an amended proposal for delivering shared services across the partnership via a Cost Sharing Group that would be a subsidiary company of the University and that would form a VAT group with the University.</p>	
	<p>It was noted that further information about the detail of the pensions guarantee requested in the paper and evidence to clearly illustrate the economic benefits of the proposed model would be provided within the full business plan.</p>	
	<p>The Chair of SAMS declared a potential interest in shared service activity. It was noted that he provided services to Capita consulting and had significant experience in operating and advising on shared service activities. Court noted that his experience and knowledge may be of benefit to the UHI project and it was agreed that he should meet with the COOS to discuss the proposals.</p>	
5.5	Strategic realignment with Inverness College UHI and Lews Castle College UHI	Principal
	<p>The Chair reported that further discussions had taken place with the Boards of Management of Inverness College and Lews Castle College UH (LCC). It was noted that Inverness remained interested in pursuing a strategic realignment however the Board of LCC were currently undecided.</p>	
	<p>The Principal explained that work on a confidential draft framework proposal had been completed setting out what a strategic alignment with the University might involve and it was noted that this paper would be circulated to members in strict confidence after the meeting.</p>	

5.6 High Level Long Term Risks

Court considered paper UC14-085 providing a summary of the current highest level risks that had remained in a stable position on the University's corporate risk register for a prolonged period. It was noted that the Audit Committee had highlighted a concern that actions were not working to reduce the impact or likelihood of these risks occurring and that the Risk Review Group had been asked to reconsider each such risk and to invite Court to discuss the associated issues.

The COOS advised that the Risk Review Group had considered each of the risks at a meeting on 16th December and had agreed that all of the identified risks should be kept on the HLRR. Court agreed, however, it was noted that some of the entries may more accurately be defined as issues" rather than risks since they set out a position of fact as opposed to a potential risks that could be mitigated.

5.7 Governor Development Events

Court noted paper UC14-086 providing a summary of training and development sessions for members of the Court and independent members of FERB.

It was agreed that the sessions proposed for 20th January 2015 should be held as two separate sessions. It was agreed that Student number planning should be first with a new date identified for the FE overview session.

CGM

5.8 Annual Monitoring Reports

Court noted paper UC14-087 providing a summary of activity in relation to Complaints, Public Interest Disclosures, Freedom of Information, Fraud, UHISA and the Data Protection Act during 2014.

5.9 SFC FE Governance Checklist and FE Funding Flows

Court noted paper UC14-088 providing a copy of the SFC governance checklist which requires to be met by UHI before FE funding would flow directly to the University.

6 FINANCE AND PLANNING

6.1 2014-15 Quarter 1 Re-forecast

The Director of Finance presented paper UC14-089 that was based on management accounts for the 3 month period ended 31st October 2014. The Director explained that in response to the challenge to achieve additional student numbers that additional allocations of £250k to curriculum development and £150k to marketing and recruitment budgets had been agreed and these additional activities would have an impact on the surplus which was now anticipated to be circa £700k for the year.

DoF present

Court requested that the Director of Finance amend future reports to include a summary of base budget allocations and a percentage figure for variations.

DoF

6.2 UHI Statutory Accounts 2013-14

Court approved paper UC14-090 containing the UHI Report and Financial Statements for the year ended 31st July 2014.

It was noted that the draft accounts had been considered by the Audit Committee and Finance and General Purposes Committee at a joint meeting on 3rd December 2014 and that committee members agreed to recommend Court to approve the accounts for the year ended 31st July 2014.

Court was pleased to note that the external auditors had reported to the Audit Committee Chair that they were very pleased with the Audit and the efficiency and preparedness of the UHI finance team.

6.3 2013-14 Representation Letter

The Court approved the Letter of Representation (UC14-091) for the auditors prepared in connection with the financial statements for the year ended 31st July 2014.

6.4 Going Concern

Court approved paper UC14-092 setting out the rationale for using the following statement: *“there are no material uncertainties that may cast significant doubt about the company’s ability to continue as a going concern”* within the 2013-14 financial statements.

6.5 Management Letter/Audit Results

Court noted the paper UC14-093 comprising a letter from the external auditors summarising the 2013/14 audit results.

6.6 Strategic Vision and Plan 2015 – 2020

The Court noted paper UC14-094 providing an update on the development of the University’s Strategic Vision and Plan 2015-2020.

It was noted that the full strategic plan including sub strategy implementation and enabling strategies would be presented to Court for consideration in March.

6.7 Residences Project – Update

The Court considered paper UC14-095 prepared by the COOS providing an update on progress with the UHI Student Residences Project.

Court noted that the project was currently at severe risk because the preferred bidder was attempting to re-negotiate terms in an effort to pass additional risk for the project to the University. The cost of borrowing to finance the project was greater than the preferred bidder had originally anticipated and as a result of this the bidder was seeking to adjust the rental guarantee provided by the University and to increase individual rental rates. The proposed new terms were unacceptable to the University and negotiations were continuing. It was now inevitable that phase 1 of the project would be delayed and the entire project was at risk.

6.8 Q1 2014-15 Management Accounts

Court noted paper UC14-96 comprising the management accounts for the three months ended 31st October 2014.

Court noted a variance in the proportion of FE and HE funding that had been distributed to APs. The DoF explained that 33% of HE funding had been distributed whereas only 21% of FE funding had been distributed to APs, this was due to the ONS requirements on Incorporated Colleges that did not allow them to hold cash in advance of need.

6.9 2013-14 Statutory Accounts of UHI Research and Enterprise Ltd

Court noted the above statutory accounts for the year ended 31st July 2014 (UC14-097)

6.10 2013-14 Statutory Accounts of UHISA

Court noted the above statutory accounts for the year ended 31st July 2014 (UC13-098)

6.11 2013-14 Statutory Accounts of UHI Development Trust

Court noted the above statutory accounts for the year ended 31st July 2014 (UC13-099)

6.12 Partnership Financial Key Performance Indicators (KPIs)

Court considered paper UC14-100 providing a series of financial KPIs based on draft statutory accounts provided by APs. It was noted that was a significant lack of financial strength across the partnership.

Court noted that circa £12M had been transferred into Arms Length Foundations (ALFs) by the incorporated colleges to avoid being returned to the treasury. The transfers were a direct response to ONS rules that prevented these colleges from holding reserves or cash in advance of need. Court was concerned that the transfers made it difficult for the University to monitor the sustainability of these colleges and that because the ALFs were required to be wholly independent of the APs there was no control over the money that had been transferred into them and this presented obvious problems and difficulties in terms of ensuring sustainable provision.

Court directed FGPC to consider the issues raised by the KPIs in greater detail and to provide a briefing note for members on the key risks and issues.

6.13 2015/16 Student Numbers Planning Process

Court noted paper UC14-102 providing a summary of the University process for planning student numbers for 2015/16, the current position in relation to targets and the curriculum and marketing activities being undertaken to support achievement of targets.

Court noted that there was a need for senior management and for members of Court and AP Boards of management to continue to challenge staff in relation to setting and achieving realistic targets in accordance with agreed strategic priorities.

6.14 SFC Financial Memoranda for Further and Higher Education

Court noted paper UC14-103 providing final versions of the financial memoranda that had been published by the SFC on 8th December.

6.15 Financial Memorandum between UHI and Assigned Colleges

Court noted paper UC14-104 providing a final version of a template financial memorandum produced by SFC setting out relationship between a Regional Strategic Body and Assigned Colleges. It was noted that a customised version would be developed for the University.

Court expressed concern that too much detailed information was required to be provided to the SFC via the University, this may fundamentally alter relationships and care was needed to ensure that this did not impact on University autonomy.

6.16 Annual Report of the Audit Committee to University Court 2013/14

The Court noted the Annual Report of the Audit Committee (UC14-105).

The Court thanked the Head of Internal Audit for his work during the year.

6.17 Inverness Campus Partnership Facility

Court noted paper UC14-106 providing a summary on progress with the above development.

6.18 European Structural Investment Funds (ESIF)

Court noted paper UC14-107 providing a summary of a new structured framework approach to targeting European funding via the identified lead agencies that had been agreed by HEPPRC and FGPC.

It was noted that significant opportunities existed for the University and that Court would be kept advised of any developments as appropriate.

7 ACADEMIC BUSINESS

7.1 rDAP Application Annual

Court noted paper UC14-108 comprising a copy of the University's formal application for Research Degree Awarding Powers.

8 RISK MANAGEMENT

8.1 Corporate Risk Register

Court considered paper UC14-109 comprising the Corporate Risk Register prepared by the Corporate Governance Manager.

9 REPORTS

9.1 Foundation

Court approved paper UC14-110 prepared by the Rector setting out recommendations for the future operation and role of the UHI Foundation.

9.2 UHISA

The President of UHISA provided a brief report into recent activities and difficulties experienced by the association. It was noted that a by election for a new Vice President and Depute President was currently underway and that members of the Executive were determined to put the difficulties behind them and to work constructively with University staff to improve student representation for all students across the partnership.

10 ANY OTHER BUSINESS

Exit DoF

None

12 DATE OF NEXT MEETING

17th March 2015

