

**UNIVERSITY OF SALFORD
COUNCIL
MINUTES OF THE MEETING HELD ON
4 OCTOBER 2011**

Present: Dr A Mawson (Chair)
Mr C Wells (Deputy Chair)
Mr M Appleton
Mr I Austin
Mr K Brady
Prof M Bull
Mr N Collins
Mr P Crompton
Ms C Dangerfield
Mr T Doyle
Ms J Fawcett
Ms F Goodey
Mr J Greenough
Prof M Hall
Mr E Healey
Mr M Johnson
Mr W Smith
Prof H Takruri-Rizk

Apologies: Cllr D Antrobus
Mr T Britten
Dr M Burrows

In attendance: Dr A A Graves (Registrar and Secretary)
Ms K Brown (Executive Director of Finance)
Mr P Hopwood (Head of Planning and Performance – item COU.11.40 – 11.47)
Mr M Rollinson (Head of Governance Services and Deputy Secretary)

COU.11.40 MEMBERSHIP (COU/11/34)

The list of members for the academic year 2011/12 was noted.

COU.11.41 MINUTES (COU/11/35)

Council received the minutes of the meeting held on 30 June 2011. With reference to minute COU.11.34, the postgraduate student member of the Committee (the Students' Union President) expressed the view that the minute did not reflect the full nature of the discussion about the movement towards a nominations process (rather than an election process) for staff members. In particular, the view was expressed that the minute did not reflect discussion about how the revised process would be implemented or, the potential changes to Nominations and Governance Committee membership.

Council noted that the minute should be read alongside the report from the Nominations and Governance Committee which appeared later in the agenda (see minute COU.11.53); that report included details of the draft revised Statute and the new Ordinance designed to effect the change to membership provision agreed by Council and allow for nomination of prospective candidates by eligible staff in the relevant staff categories.

Council noted that there was recollection that the previous meeting had discussed the potential for future change to the composition of Nominations and Governance Committee. Council noted further that, although there had not been a resolution to effect immediate change to Nominations and Governance Committee membership, the Committee's membership requirements were reviewed on an annual basis.

Noting the comments from the postgraduate student member, Council agreed the minutes of the meeting held on 30 June 2011 as a correct record.

COU.11.42 CHAIR'S ACTION (COU/11/36 – 38)

Council noted that:

- i) following consideration and approval by the Lead Member for Human Resources, the Chair of Council had approved the Grievance Policy and the Performance Improvement Policy and Procedure (COU/11/36 and 37);
- ii) following consideration and approval by the Lead Member for Finance and consultation with the Chair of Audit Committee, the Chair of Council had approved revisions to the Financial Regulations and Schedule of Financial Delegation (COU/11/38).

COU.11.43 VICE-CHANCELLOR'S MANAGEMENT REPORT (COU/11/39)

Council received a report from the Vice-Chancellor updating members on developments since the previous meeting of Council on 30 June 2011. The Vice-Chancellor updated members on the following developments since he had drafted the report:

- i) Helena Thorley, College Registrar for Science and Technology, had died after a short illness. Council extended its condolences to Ms Thorley's family, friends and colleagues. The University would be well represented at Ms Thorley's funeral, which would take place on 5 October 2011;
- ii) the University had risen 13 places (to 64th) in the recently published Sunday Times League Tables. The rise could be largely attributed to significantly improved performance in relation to student retention – the University had risen over 100 places on this measure and was now in the top 10 nationally;
- iii) the Performance Improvement Group (established following the University's disappointing performance in the Guardian League Tables) was focusing on ensuring that the University optimised its returns to HEFCE so that they more accurately reflected its true position and were consistent with the stance taken by others in the sector. In some cases, this involved ensuring that returns fully reflected the complexity of data once analysed to a finer degree of granularity and this work was taking place alongside work with School colleagues to improve measurable performance. (Members had also received a briefing before the meeting from the Pro-Vice-Chancellor (Academic), Huw Morris, and the Head of Planning and Performance, Phil Hopwood on the Key Information Set; the presentation also touched on League Table performance –

Secretary's note; copies of the presentation are available on the Council members' resources part of the website)

- iv) MediaCity had now opened to students and the majority of members had taken part in a tour of facilities before the meeting. In the first of a series of joint events with the BBC, the University had hosted a visit from the Chief Executive Officer (UK and Ireland) of Google, Matt Brittin. Media coverage of the opening had been extremely positive (including a two page article in the Times Higher);
- v) members of the Executive had engaged with politicians from both of the main political parties at the Labour and Conservative Party conferences;
- vi) there had been an extremely successful and well organised Honorary Degree Ceremony for Graham Nash on 30 September;
- vii) Prof G Aouad, Pro-Vice-Chancellor (Research and Innovation) had been appointed as President of Wollongong University, Dubai and would remain as a Visiting Professor on his departure from the University in December 2011. Processes of search and selection for Prof Aouad's replacement were now formally underway and interim arrangements would be announced shortly. Council congratulated Prof Aouad on his new appointment.

Council noted the improvement in retention performance with pleasure and congratulated all those concerned with contributing to this improvement.

In response to questions, the Vice-Chancellor reported that the performance review and development programme for professors provided an opportunity to review performance of all of the (approx) 120 professorial staff in terms of scholarship and research and contribution to learning and teaching, engagement and leadership generally. Outcomes would inform remuneration (which would operate on a more consistent basis) and, where appropriate, development plans.

In response to a further question about the external visibility of the University's presence at MediaCity UK, Council was informed that this was one of a number of issues relating to the lease which was under discussion with Peel Holdings. Council endorsed management commitment to ensuring appropriate externally visible signage on the building, noting that signage denoting the presence of all other tenants on site was already in situ.

COU.11.44 FINANCE REPORT

1. Draft Financial Accounts (COU/11/40)

Council received the report from the Executive Director of Finance, setting out the draft financial accounts for 2010/11, which had resulted in a historic cost surplus of £454,000 (against an originally budgeted surplus of £1.7 million and a quarter 3 target of a minimum breakeven position). The report highlighted significant changes since the Quarter 3 forecast. Council noted that the accounts were subject to external audit; this exercise was proceeding well and a final, "close-off" meeting with the external auditors was due to take place later in the week. Council noted the potential for an adverse impact of FRS 17 evaluation in future years (the transaction this year had resulted in a positive impact) and was advised that existing covenants excluded FRS17 calculation in determining underlying performance.

In response to a question, the Executive Director of Finance undertook to provide a written response to the question about the composition of "other services rendered" on page 10 of the report.

Council **resolved** to approve the draft accounts subject to audit sign off, noting that the final accounts would be considered by Audit Committee prior to consideration by Council at its next meeting.

2. Loan Facility – Arts Building and Chapman Building Refurbishment (COU/11/40A)

The Executive Director of Finance introduced a tabled report and related appendices relating to the loan facility for the new Arts Building and the Chapman Building refurbishment. Council was asked to approve key elements of the loan agreement, including specific documentation and to approve delegated authority for specific transactions.

The report provided full details of the background to the loan and the Executive Director of Finance spoke to this (Secretary's note; the report was made available to members who were not present at the meeting). In particular, Council noted that:

- i) the loan would be made up of two elements:
 - a) European Investment Bank funding of £10 million at a margin cost of borrowing of 1.2% (plus MLA) over 16 years (including the draw down period);
 - b) Lloyds TSB Bank plc funding of £35 million (established on a five year rolling basis) at a margin cost of borrowing of 1.6% (plus MLA) over 25 years (including the draw down period of 3 years);
 - c) both loans will be fixed rate loans based on the International Swaps and Derivatives Association (ISDA) rate to be agreed at the time of the ISDA finalisation.
- ii) Lloyds had sought security for the loan against elements of the University estate (in line with previous loan security arrangements) and the Maxwell and Newton Buildings and the land site of the Arts Building were proposed in the first instance, subject to market valuation; the new Arts Building will eventually substitute for Maxwell and Newton as the construction value of the new building increases and eventually exceeds the value of the loan;
- iii) breach of any of the covenant terms were in and of themselves an act of default and could result in the loan being withdrawn and any loan drawn down to date being repayable. The covenants were outlined in the report;
- iv) any material worsening of the financial position away from the Strategic Plan position as submitted to HEFCE, would result in an act of default; ultimately, in a worst case scenario, the University could be in a position of repaying the loan amount drawn down within 120 days, including penalty charges;
- v) the agreement included the potential for transfer or assignment of the loan by Lloyds. Given the general state of the market, this was to be expected and the agreement provided the opportunity to renegotiate the security with any new lender; if the University determined that a new lender was unacceptable, it could be terminated by refinancing or repayment (albeit with some penalties).

Council noted the appendices to the report. The Executive Director of Finance reported that negotiations with the Bank and external lawyers had continued until immediately before the meeting. The ISDA schedule had not been altered as a result of these discussions; the letter relating to the facility for the £35 million loan included tracked changes which would be replicated in the £10 million loan facility letter. The Executive Director of Finance reported that

the only change to the letters as presented to the Committee, related to 8.2a) which now read as follows:

- “8.2 If any amount is not paid when due under this letter (including under this Clause 8) the Borrower shall pay to the Bank on demand interest on such sum (whether before or after judgement) at;
- a) the rate which is 2% per annum higher than the rate of interest applicable to the Loan or, if higher...”

The Executive Director of Finance reported that discussions about the details of the mortgage document (for Maxwell and Newton Buildings and the site of Arts Building) were still ongoing. Lloyds was aware that the matter was still under discussion and Council could delegate approval of the final document to the Registrar, provided that the resolution of Council indicated that the standard document had been seen by Council. The document, as presented to Council, represented a worst case scenario for the University and any changes would improve the University's position (e.g. regarding the primacy of the Loan Facility documents and removal of the right of the bank to acquire furniture and equipment as chattels).

Council thanked the Executive Director of Finance for a clear exposition of a complex set of documents. Questions were asked in relation to the security of the loan and the possibility that the Bank might argue that the value of the Arts Building never becomes sufficient to release the Maxwell and Newton Buildings from the security arrangements. Discussions focused on the concept of cost against value and the internationally recognised difficulty of arriving at a sound and mutually acceptable understanding of the value of University buildings. Council agreed that it would be helpful for the mortgage document to include reference to an independent dispute resolution mechanism in the event of a failure to reach agreement on this matter and asked that the Executive Director of Finance and the Registrar and Secretary use their best endeavours to include appropriate wording. Council was assured that the agreement did not restrict or preclude use of Maxwell and Newton Buildings, provided that any subsequent work or alterations did not reduce the value of the buildings.

In response to a further question, Council was assured that the covenant terms as outlined in the report were reasonable and that the extremely prudent and risk averse approach to forecast student recruitment and retention meant that “material worsening of the financial position away from the Strategic Plan position as submitted to HEFCE” in future years was unlikely.

Council therefore **resolved** that loan facilities in original principal sums of up to £35,000,000 and £10,000,000 (the “**Facilities**”) be arranged with Lloyds TSB Bank plc (the “**Bank**”) and that the offer of such Facilities made by the Bank in letters dated 4 October 2011 (the “**Facility Letters**”) be accepted and that Dr A Graves, Registrar and Secretary be authorised to make the necessary arrangements with the Bank and to sign on behalf of the Borrower the Facility Letters which were produced to the meeting and their terms and conditions approved (with the minor change noted above).

It was noted that as a condition of the Facilities the Bank requires certain security documents to be effected, it was therefore **resolved further** that in support of the liabilities of the Borrower to the Bank howsoever arising the Borrower give to the Bank first legal charges over its freehold

properties at Maxwell Building, Newton Building and the new Arts building at the Peel Park Campus and that Dr A Graves and Ms K Brown (Executive Director of Finance) be and are hereby authorised to witness the affixing of the Borrower's seal and to deliver as a deed the charge forms, copies of which were produced to the meeting and their terms and conditions approved (subject to further negotiations and amendment as noted above; Council delegated approval of the final document to the Registrar and Secretary, Dr Adrian Graves).

It was noted further that as a condition of the Facilities the Bank requires the Borrower to enter into interest rate hedging arrangements with the Bank in order to safeguard the Borrower against adverse movements in interest rates payable in respect of the Facilities. There were produced to the meeting an ISDA master agreement and an ISDA schedule (the "**ISDA Documents**") both of which were required to be executed by the Borrower. It was therefore **resolved further** that Dr A Graves, Registrar and Secretary be authorised to make the necessary arrangements with the Bank and to sign on behalf of the Borrower the ISDA Documents which were produced to the meeting and their terms and conditions approved.

Council **resolved further** in respect of the operation of the Facility that:

- a) **any one of** Professor M Hall (Vice Chancellor) Dr A Graves, Ms K Brown be and are hereby authorised on behalf of the Borrower to give telephone instructions to the Bank for the purpose of (i) selecting interest bases or (ii) selecting certain interest periods, that are to apply from time to time to an amount outstanding under the Facilities;
- b) **any one of** Professor M Hall, Dr A Graves, Ms K Brown be and are hereby authorised on behalf of the Borrower:
 - i) to give all written instructions to the Bank in respect of the drawdown and continuance of the Facilities; and
 - ii) to give written confirmation of all instructions that are not given to the Bank in writing.
- c) **any one of** Dr A Mawson (Chair) or Dr M Burrows (Lead Member for Finance) be and are hereby authorised on behalf of the Borrower to appoint in writing additional authorised officials of the Borrower for the purposes of Resolutions (a) and/or (b) above and that, on receipt of a certified copy of such appointment (together with a copy of their specimen signatures), the Bank be authorised to act on the instructions of such additional authorised officials;
- d) the Bank be furnished with a list of the names of the Council members, Secretary and other Officers of the Borrower and that the Bank be authorised to act on any information given by any member of Council or the Secretary as to any changes therein; and
- e) the foregoing Resolutions do not in any way prejudice or affect the instructions to the Bank contained in Resolutions of Council constituting the bank mandate of the Borrower.

Council resolved further in respect of the operation of the ISDA Documents that:

- a) **any one of** Professor M Hall (Vice Chancellor) Dr A Graves, Ms K Brown be and are hereby authorised on behalf of the Borrower:

- i) to give all written instructions to the Bank (in its capacity as swap counterparty under the ISDA Documents) in respect of interest rate hedging transactions to be entered into under the terms of the ISDA Documents ("**Transactions**");
- ii) to execute any documents required to evidence Transactions including confirmations; and
- iii) to give written confirmation of all instructions that are not given to the Bank in writing.

It was noted that, as a result of the above, the Chair of Council and Registrar and Secretary were required to **certify**:

- i) that the above Resolutions were duly passed in accordance with the constitutive documents of the Borrower;
- ii) that the passing of these Resolutions and the completion of the transactions thereby contemplated do not, and when completed will not, contravene any provision of the constitutive documents of the Borrower or of any loan agreement, trust deed, bond, mortgage, charge, contract or other instrument binding upon the Borrower or Council.

The Chair of Council and Registrar and Secretary were also asked to confirm that the signatures furnished to the Bank with the Resolutions were those of the duly authorised officials at the date hereof.

COU.11.45 **PERFORMANCE REPORT (COU/11/41)**

Council received and noted the report which presented the results for the fourth quarter Key Performance Indicators and Subsidiary Performance Indicators (i.e. for the academic year 2010-11 up to 31 July 2011).

Council noted that overall satisfaction as measured by the National Student Survey had improved by 1% to 79% although this was still 4% below the Sector average. Council noted further the earlier discussion (minute COU.11.43 iii) about efforts to optimise data which were being carried out alongside other improvement measures, for example, proposals to improve the turnaround time for student feedback (to a maximum of three weeks). Members expressed some frustration at the time lag between improvement measures and impact on league table performance but were satisfied that the pace of change was appropriate (noting that, in certain areas, precipitate change ran the risk of reputational damage).

In response to questions about research performance, Council was advised that the departure of the Pro-Vice-Chancellor (Research) provided an opportunity to reflect on the current Research Strategy and its contribution to the Strategic Plan. Once the matter had been fully considered by Executive, Council would be presented with mature proposals for consideration. The Vice-Chancellor advised that the establishment of key partnerships with prestigious institutions and organisations would be an important element of future strategy.

In response to questions on two matters of detail, Council was informed:

- i) that the “red” rating for Health and Safety audits was a reflection of failure to fulfil the schedule of planned audits rather than matters arising from individual audits. This matter was being addressed by the appointment of full time Health and Safety Officers in key, high risk areas, to replace the previous network of volunteer Health and Safety Co-ordinators;
- ii) that the “red” rating for Major Incident Planning was being addressed through the establishment of a Major Incident Management Team and a policy of escalation, depending on the severity of the incident. Greater Manchester Police would be involved in a training/simulation exercise which would take place shortly.

COU.11.46 CORPORATE RISK UPDATE (COU/11/42)

Council received and noted the report which presented the latest information on the top twelve risks facing the University and the management actions taken or planned to reduce risk exposure to an acceptable level.

Council noted that the most significant risk related to international recruitment, largely as a result of downturn in demand in response to increasingly stringent UKBA requirements. Mitigating actions included increased focus on semester two international recruitment and, in the longer term, development of in-country provision in, for example, India and Sri Lanka. The Registrar and Secretary advised that, once these proposals were in a more developed state, Council would be apprised and asked to consider them.

In response to a question about the increased demands on staff as a result of the range of Transformation Programme projects, the Registrar and Secretary reported that the current volume of initiatives had been considered recently at Executive level. In order to address concerns about possible overload, a review of all initiatives/projects had been implemented to ensure that activity was aligned with the Strategic Plan and either contributed to driving revenue or reducing costs. The Registrar and Secretary reported that Phase 1 of the Transformation Programme had been completed, with the three College model in operation since 5 September 2011; Phase 2 (process re-engineering and optimisation of Schools structures and associated central services) was now underway with all process improvement projects working towards a September 2012 implementation deadline.

In response to a further question about the impact on the University of the civil disturbances in Salford during August 2011, the Vice-Chancellor reported that these had been minimal physical damage (one retail outlet on campus) and any reputational damage had been mitigated because of similar disturbances elsewhere in England. Staff who lived in the areas in the vicinity of the disturbances had been affected (either through physical damage to property and/or emotional upset). The Vice-Chancellor reported that he had recently hosted a community forum for a wide range of local community organisations, including faith groups, youth groups and charitable trusts. The Vice-Chancellor emphasised that the role of the University was to act as a broker, facilitating and enabling important community conversations; Council supported this approach as an effective means of ensuring meaningful contact with the local community on this important issue.

COU.11.47 HEFCE ASSESSMENT OF INSTITUTIONAL RISK (COU/11/47)

Council received the letter from HEFCE apprising the University of the level of institutional risk based on accountability returns submitted for 2009-10. Council noted that the University was assessed to be “not at higher risk”, the best possible outcome.

COU.11.48 POLICY ON NAMING THE UNIVERSITY ESTATE (COU/11/44)

Council received a report from the Registrar and Secretary and **resolved** to adopt the Policy on Naming the University Estate.

COU.11.49 ACQUISITION AND DISPOSAL POLICY FOR THE UNIVERSITY ART COLLECTIONS (COU/11/45)

Council considered a report from the Registrar and Secretary proposing funding and procedural arrangements for the art collection; the University had been acquiring art works since 1969, principally for display in and around the University buildings. Council noted that the Policy included the following:

- i) an annual budget for the purchase of student work (£20,000 per annum) to become part of the University Collection;
- ii) an annual sum of £100,000 to be set aside from central funds for the maintenance of the Collection, including acquisitions and conservation, and for the purchase of public art (the sums in i) and ii) to be reviewed in the light of changing circumstances, budgetary constraints and the effects of inflation);
- iii) establishment of a “per cent for art” scheme whereby 1% of the total approved project cost of capital building projects in excess of £1 million, up to a maximum of £250,000 is set aside for art works to complement the building and environs;
- iv) management of the funds identified for the purchase of art to be the responsibility of the University Collections Working Group chaired by the Registrar and Secretary;
- v) criteria for future acquisitions, key areas for future collecting priorities, acquisition and disposal procedures; the decision to dispose of material from the Collections is the responsibility of the Council (advised by the Executive) after full consideration of the reasons for disposal.

Council noted that the Policy established the principle that the Collection was held in trust for society and the general public good; maintenance of the Collection was part of the University’s commitment to public benefit and the cultural and social well being of students, staff and the wider community.

Council noted the comment that, given the current very challenging financial climate and the University’s commitment to efficiencies and reducing cost, this may not be the optimum time to implement the policy. Council noted the alternative view that maintenance of and support for arts collections was an integral part of the broader cultural role of universities and represented a sound future investment. Council was advised that the Policy contained financial limits for revenue budget support and a ceiling on the contribution from the “per cent for art” scheme on capital spend and noted the suggestion that an overall annual cap on art expenditure should be stipulated. Council noted that stewardship of the funds would be the responsibility of the University Collection Working Group chaired by the Registrar and Secretary and comprising other relevant senior managers (including the Head of School of Art and Design and the Director of Development); Council expressed confidence in this Group to balance the need for maintaining a healthy and vibrant Collection against broader financial exigencies. The Vice-Chancellor advised that proposed

expenditure on the Collection would be transparent, through the planning and budget approval process, and Council would be able to take an annual view on the merits of investment.

Having considered the matter fully, Council **resolved** to adopt the Policy, noting the need to substitute the term “University” for “museum” as appropriate from Section 6 onwards.

COU.11.50 EQUALITY AND DIVERSITY REPORT (COU/11/46)

Council noted the Equality and Diversity Annual Review for 2011 which gave an overview of compliance with legislation and related developments.

COU.11.51 REPORT FROM COUNCIL ADVISORY GROUP (COU/11/47)

Council considered the report of the meeting of the Council Advisory Group held on 16 September 2011, including the reports from the Lead Member meeting.

Council noted:

- i) in relation to the report from the Lead Member for Estates, planning permission for construction of the student residences had been granted;
- ii) in relation to the report from the Lead Member for Human Resources, the outcome from the Employment Tribunal case was expected within the next two weeks.

COU.11.52 REPORT FROM AUDIT COMMITTEE (COU/11/48)

Council considered the report of the meeting of the Audit Committee held on 13 September 2011 and **resolved** to approve the Internal Audit Annual Report for 2010/11.

COU.11.53 REPORT FROM NOMINATIONS AND GOVERNANCE COMMITTEE (COU/11/49)

Council considered the report of the meeting of Nominations and Governance Committee held on 16 September 2011 and **resolved** that:

- i) Mr Burrows be appointed to fill the current vacancy for an independent member of Remuneration Committee;
- ii) Mr M Johnson be appointed as Chair of Remuneration Committee, replacing Mr C Wells as an independent member of the Committee;
- iii) external advice to the Committee be sourced to ensure that the University had current, relevant information about trends elsewhere in the sector and beyond (the individual appointed would be an advisor not a co-opted member and a fee for the service would be paid);
- iv) Mr M Appleton be appointed to replace Mr C Wells as Lead Member for Estates upon Mr Wells' retirement from Council and Mr Appleton be invited to attend the next scheduled Lead Member Estates meeting on 14 October 2011 (consideration of a replacement for Mr Appleton as Lead Member for the College of Science and Technology would now begin);
- v) further consideration of the appointment of a Deputy Chair be deferred to the November 2011 Committee meeting;
- vi) the revised Statute and new Ordinance relating to Council membership be adopted and submitted to Privy Council for approval.

Council noted the remainder of the report, including the composite independent members' skills matrix and the Council and Committee annual enhancement reports.

COU.11.54 SENATE (COU/11/51)

Council noted the brief report from the Senate workshop-style meeting held on 14 September 2011.

COU.11.55 USE OF UNIVERSITY SEAL (COU/11/51)

Council noted the report outlining the use of the University Seal since the previous meeting.

COU.11.56 DATE OF NEXT MEETING

Wednesday 23 November 2011 at 4.00pm.