

THE UNIVERSITY OF LANCASTER

Minutes of a meeting of the Council
held on 2 February 2007

PRESENT: Mr G. Johnson (in the chair), Vice-Chancellor, Dr L. J. Banton, Councillor A. C. Bryning, Mr A. Dick, Mr P. R. Elliott, Mr R. Emslie, Mr J. Hadfield, Professor S. Henig, Dr M. M. Lee, Mr S. A. J. Leyton, Mr G. Middlebrook, Mr H. Morris, Ms S. Palmer, Mr T. Roca, Professor A. Siewierska, Professor D. B. Smith, Professor K. J. Stringer, Mr R. Turner.

IN ATTENDANCE: Miss F. M. Aiken, Professor A. G. Chetwynd, Mr P. M. Graves, Professor T. J. McMillan, Mr A. C. Neal, Mr M. Swindlehurst, Ms V. Tyrrell.

APOLOGIES FOR ABSENCE: Mr B. Gray.

CO.07/1 Presentation by the Vice-Chancellor on long-term trends

Document: AR/2006/806

The Vice-Chancellor, Professor Paul Wellings, gave a presentation showing Lancaster's relative UK sector position in 2004-05 on the basis of a range of indicators, using data taken from an annual Universities UK publication, *Patterns in Higher Education*. Significant points included:

- (a) the large percentage of part-time students at Lancaster (when using a headcount measure) compared with most other similar institutions;
- (b) the low number of mature students that now studied at Lancaster;
- (c) the strong bias towards London-based institutions shown by students from ethnic minorities, which highlighted the challenge faced by the University in achieving its aim of increased recruitment from this group;
- (d) Lancaster's improved undergraduate entry grades;
- (e) the relative low proportion of first class degrees awarded at Lancaster compared with many other institutions: this was thought to be in part due to Lancaster's subject mix, but also potentially a consequence of some grade inflation at other institutions;

- (f) the comparatively high proportion of academic staff from ethnic minorities employed at Lancaster;
- (g) Lancaster's strong performance across a range of financial indicators: these included the successful generation of surpluses, a high security index rating and a reducing reliance on HEFCE funding.

When comparisons were made with earlier data from 2002-03, it could be seen that many of the trends at Lancaster were reflected across the sector, although there were some significant exceptions (including the lower proportion of 1st class degrees awarded at Lancaster).

In response to questions from Council members, the Vice-Chancellor stated:

- (i) that it was difficult to make these types of comparisons with international institutions in the absence of common data sets and performance measures;
- (ii) that the part-time numbers shown came from students taking credit-bearing courses who attracted HEFCE funding.

The Director of Finance and Resources undertook to provide some further information to the next meeting of the Council on the measures used to determine the institutional security ratings.

THE COUNCIL RESOLVED to receive the report and to thank the Vice-Chancellor for his presentation.

CO.07/2 Minutes: 8 December 2006

Document: GAP/2007/0103

THE COUNCIL RESOLVED to approve the minutes as set out.

CO.07/3 Rolling Scheduled of Business

Document: GAP/2007/0104

THE COUNCIL RESOLVED to note the rolling schedule of business.

CO.07/4 Vice-Chancellor's Report

Document: VC/07/R001

The Vice-Chancellor drew particular attention to the following items:

- (a) the attendance by the Pro-Vice-Chancellor for Research, Professor McMillan, at a meeting with Bill Rammell and Lord Adonis to discuss proposed changes to NAGTY programmes (National Academic for Gifted and Talented Youth): these were likely to provide Lancaster with an opportunity to expand its activities in this field, possibility in partnership with other North West universities;
- (b) the visit by Lord Sainsbury to Lancaster to find out more about the connections that had been established between the University and regional SMEs through work undertaken in InfoLab21 and LEC (for the purposes of informing a forthcoming report to the Chancellor of the Exchequer on science and innovation).

In response to a question from a member, the Council was informed that although the NAGTY programmes were available equally to all categories of students, linked programmes with explicit widening participation objectives were to be incorporated.

CO.07/5 Finance

Documents: FO/07/12; FO/07/14 and Appendices; GAP/2007/0111

(A) **DIRECTOR'S REPORT**

The Director of Finance and Resources, Mr Andrew Neal, drew attention to his written report before the Council.

(B) **STUDENT RESIDENCES: PHASE 4**

The paper before the Council set out a set of resolutions for Council approval that would ratify the proposed structure for reaching financial close, and which would delegate final approval to an Authorised Signatory Group (subject to specified safeguards and conditions).

The Director of Finance and Resources outlined some of the main features of the existing relationship between Lancaster and UPP, including the finance arrangements, the provisions that would take effect if UPP were to cease trading, and the agreed division of FM responsibilities between UPP and the University. He believed that the latest proposals were in line with the objectives originally set by Council, namely:

- compatibility with the University's current campus and estates master plan;
- improved performance in meeting the principle of sustainability;
- the provision of a greater variety of accommodation types;
- achieving a lower average rent than Phases 1-3.

Of particular note were the intention that the new residences should carry the 'Eco Homes' badge with an 'excellent' rating, the introduction of the 'Town House' concept and a current projected average rent reduction of £7.50 (after excluding utilities costs) for Phase 4.

Other favourable points included:

- (a) the current occupancy rate of 99.4% for UPP residences and the high demand for continuing second and third-year accommodation;
- (b) the similar ratio between modelled rental income and the level of payments required to service bank debt after incorporating the Phase 4 proposals;
- (c) the allowance that had been built into the financial model to take account of possible fluctuations in long-term interest rates prior to financial close;
- (d) the projected refinancing gains, which included a payment to the University of circa £1m-£1.5m and lower rents than otherwise would have been the case.

The following areas, where there were significant changes proposed to the agreement with UPP, had been set out in the paper for the Council's consideration.

Facilities Management

The original agreement with UPP had underestimated the costs of providing soft FM services by around £300k-£350k per annum. To avoid a sudden increase in rents the new financial model incorporated a phased recovery involving a projected annual rent increase of 1.5% + RPI over a seven year period (which would be subject to annual review and possible revision).

Proposed extension of lease term from 38 to 48 years

The current proposals included an offer of a cash payment of between £3.5m-£4m to the University, and a reduction in student rents with a NPV of between £1m-£2m, in return for an extended lease term. Although this compared with an estimated total NPV of £6m-£9m for the concession, allowance had to be made (a) for UPP's own return; and (b) the significant shift in risk from the

University to UPP that occurred after 38 years (given that the University would not be potentially liable for top-up payments from this point onwards in the event that rental income fell below the threshold previously agreed). Responsibility for maintenance would still lie with UPP but the University would maintain control of the rent-setting process. As an additional safeguard UPP would be required to continue providing a detailed forward maintenance schedule and a survey of the buildings would be undertaken four years before the end of the total lease period. The project company would continue to be under a legal obligation to keep the residences well-maintained and the University would continue to have right to withhold 10% of the rental income against the costs of any necessary works for the four years following the survey. The proposals included an agreement that the University should receive a share of any future refinancing gain and/or increased rental income throughout the whole term of the extended lease period.

The following points were amongst those made in discussion and in response to questions from Council members:

- (a) that any proposed use of the refinancing gain would be subject to Council approval, but it was currently hoped to use any additional monies for the creation of a new student learning hub;
- (b) that there was some flexibility in the event of any delay to the completion of the new County residences given that the existing County main residences could continue in use if required (students who were moved from old to new accommodation mid-year would be charged an overall reduced rent);
- (c) that the new agreement would continue the current arrangement whereby any equity return in excess of 14% achieved by the project company had to be shared with the University;
- (d) that the full arrangements for sharing any future refinancing gain had to be confirmed in the amended Master Agreement;
- (e) that the payment of rent by the University for the use of non-residential space in the UPP buildings was believed to be the most efficient way of ensuring a single point of responsibility for maintenance arrangements and avoiding the costs of such facilities impacting on student rents;
- (f) that the agreement included provision for any future changes in legislative requirements (including any related to environmental issues);

- (g) that checks were being undertaken to ensure that there were no adverse tax implications for the University arising from the latest phase of the project;
- (h) that the underestimated facilities management costs built into the original agreement had been the result of some over-optimistic assumptions about the amount of resource required to provide an acceptable level of service;
- (i) that KPMG was engaged solely in an advisory capacity to the University and had no other current interests in connection with the project.

(c) **REPORT OF THE FINANCE COMMITTEE: 12 JANUARY 2007**

The report of the meeting was before the Council.

THE COUNCIL RESOLVED *nem. con.*:

- (i) to receive and note the Director's report;
- (ii) to approve the resolutions set out in the *Report on Phase 4 of the residences project* (FO/07/12), subject to:
 - (a) amending the first part of 3(b) to read 'Any 5 of whom shall be authorised to carry out those matters delegated to the Authorised Signatory Group...';
 - (b) amending 3(b)(i) to read 'the quorum must include at least two lay members of the Council, the Chair of the Finance Committee or the Director of Finance and Resources and the Chair of the Estates Committee or the Director of Estates';
 - (c) the University checking with its advisors to ensure that there were sufficient safeguards to ensure (a) the buildings were properly maintained during the last phase of the revised lease term and (b) that the University would receive a fair share of any possible future benefits;
- (iii) to place on record the Council's appreciation of the excellent work of the Director of Finance and Resources and the Director of Estates in taking the Phase 4 project forward;
- (iv) to thank Mr Gary Middlebrook for his role in helping facilitate constructive discussions on the Phase 4 proposals with the colleges;
- (v) to confirm the actions taken by the Finance Committee.

CO.07/6 Appointment of Deputy Pro-Chancellor

Document: GAP/2007/0114

Mr Johnson left the room for this item and Professor Henig took the chair in his absence.

THE COUNCIL RESOLVED to elect Mr Gordon Johnson as Deputy Pro-Chancellor for a period of three years with effect from 10 February 2007.

CO.07/7 Report of the Nominations Committee

Documents: GAP/2007/0115; GAP/2007/0116

Individual members of Council left the room when their proposed appointments were being discussed.

THE COUNCIL RESOLVED:

- (i) to receive the report of the Nominations Committee and the attached 'Profile of Council Members';
- (ii) to reappoint Mr Rick Turner as a member of the Council for a third and final term for a period of three years from 1 August 2007;
- (iii) to reappoint Mr Gary Middlebrook as a member of the Council for a third and final term for a period of three years from 1 August 2008;
- (iv) to appoint Mr Richard Kenworthy as a member of the Audit Committee for a period of three years and one month from 1 February 2007 (*vice* Mr Michael Hart);
- (v) to extend the appointment of Mr John Hadfield as a member of the Audit Committee to 28 February 2009;
- (vi) to extend the appointment of Dr Monica Lee as a member of the Audit Committee to 28 February 2008;
- (vii) to appoint Mr Gary Middlebrook as chair of the Estates Committee with effect from 1 August 2008 or such earlier date as may be agreed.

CO.07/8 Freedom of Speech: update and code on protests

Document: GAP/2007/0095

The University Secretary reported that she had received advice from the Head of Democratic Services at Lancaster City Council that the University is not under any legal obligation to host political meetings during election periods (following on from a request for clarification on this point at the last Council meeting).

The Code on Protests approved by Senate, which will operate in conjunction with the Code on Freedom of Speech, was attached for the Council's information.

THE COUNCIL RESOLVED:

- (i) to note the University's Secretary's report (whilst asking that a watching brief be kept on the implications for the University of any future developments with regard to public standards legislation);
- (ii) to note the Code on Protests.

CO.07/9 Key Performance Indicators

Document: GAP/07/0113

THE COUNCIL RESOLVED:

- (i) to receive a balanced score card of current Key Performance Indicators;
- (ii) to note that an updated version of the score card and a thematic report on Teaching would be presented to the March meeting.

CO.07/10 Key Institutional Risks

Document: FO/07/11

The Director of Finance and Resources stated that a small group had been reviewing the presentation of the Key Institutional Risks in the light of the new strategic plan. The paper before the Council described the group's work to date and proposed that the risks should be grouped under the following key themes:

- loss of reputation for the University;
- inability to generate sufficient resources;
- inefficient or ineffective use of resources;
- failure to maintain an attractive working environment.

The latest report of risks was presented on this basis, although the actual format of the report was to be further refined for future meetings.

In discussion members were supportive of the proposed approach, whilst suggesting:

- (a) that an indication should be given on which risks were generic to the H.E. sector and which were specific to Lancaster;
- (b) that some overriding risks could span some or all of the individual categories;

- (c) that consideration should be given to placing this item of business higher up the agenda at future meetings

THE COUNCIL RESOLVED to note the key institutional risks, as set out.

CO.07/11 Appointment of new Cartmel Principal

Document: GAP/2007/0123

THE COUNCIL RESOLVED to note the approval by Chair's action of the appointment of Jayne Corless as Principal of Cartmel College (following the recommendation of the Search Committee).

CO.07/12 Report of Senate: 22 November 2006

Document: GAP/2007/0100

THE COUNCIL RESOLVED to receive and note the report of the meeting of the Senate on 22 November 2006.

CO.07/13 Retiring Council member

The Chair noted that this was to be Mr Rick Emslie's last meeting as a member (having served two terms) and, on behalf of the Council, warmly thanked him for his many valuable contributions to the work of the Council and the University.

CO.07/14 Review of current meeting

Council members expressed themselves happy with the arrangements made.