

AR/2002/1572

THE UNIVERSITY OF LANCASTER

Minutes of a meeting of the Council held on 22 November 2002

PRESENT: Mr J. B. Heron (in the chair except for CO.2002/70(a)), Mrs C. T. Hensman (in the chair for CO.2002/70(a)), Vice-Chancellor, Mr L. Danby, Mr H. Dawson, Mr A. Dick, Mr J. C. Dunning, Mr R. Emslie, Dr P. G. S. Entwistle, Professor K. A. O. Fulton, Mr M. Hart, Mr G. Johnson, Dr M. M. Lee, Mr S. A. J. Leyton, Mr G. Middlebrook, Mr H. Morris, Mr H. Nichol, Dr C. C. Park, Professor P. Rowe, Mr K. Royales, Mr R. Turner, Mrs V. Watkins, Ms J. M. Whiteside.

IN ATTENDANCE: Professor N. Abercrombie, Mr C. Adams, Ms F. M. Aiken, Mr A. Burnett-Scott (Ashurst Morris Crisp) (for CO.2002/69), Professor S. J. Cox (for CO.2002/67), Professor R. B. Davies, Mr S. Dingle (N. M. Rothschild) (for CO.2002/69), Mr M. King, Mr H. Lumby (Ashurst Morris Crisp) (for CO.2002/69), Mr W. S. Lunn, Mrs M. E. McClintock, Mr E. T. McGregor, Professor R. Macdonald, Mr A. Madeley, Ms G. Marshall, Mr A. Whitaker.

APOLOGIES FOR ABSENCE: Mr P. R. Elliott, Professor S. Henig, Ms T. McGrath, Ms V. Tyrrell.

CO.2002/62 Farewell to departing members

The Council placed on record its thanks to Ms T. McGrath and Mr H. Nichol for their services to the Council.

CO.2002/63 Minutes

The minutes of the meeting held on 4 October 2002 were confirmed.

CO.2002/64 Matters arising

CO.2002/41.4.6: Student residences: collegiate system

Document: CR/02/63

Mr Whitaker drew attention to an attached report of the discussions being conducted by the shadow college syndicate set up by the Senate. Further reports would be made about the issues that the work of the group had shown up as it progressed.

CO.2002/60: Search committee for Pro-Chancellor

The Vice-Chancellor reported that the sub-committee of the Council set up to identify potential names for consideration had had two meetings, and had drawn up a long shortlist. He, together with a deputy pro-chancellor (Mrs Claire Hensman) and the University Secretary would select from that list a group of people who would be invited for interview. He wished to present a name for consideration and endorsement by the Council by correspondence, in order to have a nomination to make to the Court at its meeting early in February 2003.

The Council resolved to approve the Vice-Chancellor's proposal.

CO.2002/49: Vice-Chancellor's report

Mr Hilton Dawson, M.P., invited the university to join him in a campaign to locate the proposed North West Regional Assembly in Lancaster. He reported that the city was in a shortlist of four that included Wigan, Warrington and Preston, and that the Regional Development Bill would receive its Second Reading in the House of Commons on 26 November. There might be a national referendum on regional assemblies as early as the spring of 2004, with the intention that they should (if approved) come into being by the end of that calendar year. Lancaster had many natural advantages, including its location, its transport links, its history and its connections with the surrounding rural community, and should be considered as the location of the North West Regional Assembly. The university would be warmly welcomed as a participant in a broad local campaign and of itself would raise the city's profile.

The Vice-Chancellor indicated that he would shortly be attending a meeting on the subject and would also talk separately to Mr Dawson. The university was interested in being within a city that was the location for such an assembly, and Lancaster was already the major university city in the region. Such a development would also form a link with the university's growing Cumbrian interests. =

CO.2002/65 University Ordinances =

Ref: CA.3; documents: VC/02/R300; VC/02/R326

PROPOSAL (University Secretary): that the Council consider and, as appropriate, approve the following Ordinances:

Ordinance 1: Procedures for making Ordinances

Ordinance 2: The Seal of the University

Ordinance 3: Periods of office of co-opted members of the Council

Ordinance 4: Matters reserved to the Council for decision

Ordinance 5: Matters reserved to the Senate for decision

Ordinance 6: Membership of the Senate: method of appointing elected and appointed members

Ordinance 7: Student appeals under Statute 21

Ordinance 8: Complaints and disclosures

The University Secretary reminded the Council that the introduction of Ordinances would represent a new form of internal legislation for the university that would nevertheless be under its control. She drew attention to the decisions made by the Senate at its meeting on 13 November, including minor amendments to Ordinances 4, 5, 7 and 8. She reported that, in relation to the appointed membership of the Senate, it had been agreed that staff members would continue to be appointed by the colleges or the faculties, whereas the students would be appointed by the LU Students' Union Academic Council.

THE COUNCIL RESOLVED to:

- (i) approve Ordinances 1 to 8 as set out, subject to the amendments agreed by the Senate and notified to the Council;
- (ii) place on record thanks to Professor Rowe and Mrs McClintock for their contribution to the drafting of the Ordinances.

CO.2002/66 Vice-Chancellor's report

- (a) *Government strategy review of higher education*

The Vice-Chancellor drew attention to current press speculation about what would be contained in the government's strategy document, in the context of its deferment in order to enable the new secretary of state for education, Mr Charles Clarke, to consider what the document should contain. It was believed he wished to make it more strategic and less operational. Publication was expected on 14 January 2003, immediately prior to the meeting of the HEFC(E) board on 16 January that would determine the content of the grant allocation letters to universities for 2003-04.

The Vice-Chancellor noted that there was no clarity about how institutions would position themselves in relation to their preferred options about fee levels for undergraduate tuition, including how market failure in minority subjects would be managed, or what would be the effect at national, regional and local levels if fees were de-regulated. The HEFC(E) would be likely to assume a planning and regulatory role within any free market, thus reintroducing controls as they were removed elsewhere, and more special schemes, such as 2 + 2 and other entry procedures, were possible. There was also a debate about future salaries, linked to institutional plans for human resource management, and these might lead to unrealistic pay claims. In the meanwhile the debate about undergraduate fee levels was unresolved and was drifting between support for uncapped differential levels, to a possible standard uplift across the board by subject area, to a graduate tax that would be dependent on an individual's future income. The additional money that might flow into higher education was thought to be between £350 million to £450 million. There was much political manoeuvring, including a meeting that had taken place on 18 November between the Prime Minister and the vice-chancellors of certain institutions already committed to large fee increases.

While there was a good deal of pressure for universities to declare their policies, the Vice-Chancellor wished to encourage Lancaster to wait for publication in January. He had been approached by the *Sunday Times* for a statement, in which he had stressed that as a leading research-led, internationally recognised, university, Lancaster sought the best students, irrespective of social background and schooling, and wanted a financial model that allowed all suitably qualified individuals to be able to enter higher education. At the same time the university also recognised that there had been an unsustainable decline in the per capita funding of students in higher education over the past decade and this was a key factor driving the current crisis in the sector. He had continued by saying that universities and students would need to be convinced of the long-term financial viability of the government's preferred option when disclosed. Deregulation of fees would need to be considered alongside higher but fixed fees, learning entitlements, government loans with repayments contingent on graduate income levels, and tax incentives to generate additional support from industry and alumni. A problem for the government was that any option selected should not drive students away from scientific and technological careers that pay relatively poorly but are essential for national innovation. At the same time the preferred option should not be a disincentive to less well-off students from families with an aversion to debt.

(b) CUC plenary meeting in Edinburgh, October 2002

The Pro-Chancellor reported that there was a high attendance at such meetings and much of the discussion was about the government's strategy review. The question of student appeals and the Visitor remained unresolved, and in the case of post-1992 universities would require primary legislation if major changes to the present arrangements were introduced.

(c) Strategic planning process

Documents: VC/02/R304; VC/02/R269; VC/02/R269B; VC/02/R269A

The Vice-Chancellor drew attention to the documents relating to the strategic planning process that had now commenced, including the terms of reference for the twenty-four groups. Their output would reach the Planning Officer in December, and a residential workshop would be held in January 2003.

In answer to a question about the involvement of employee groups in the twenty-four groups, their ephemeral character was noted. Further discussion of this point would take place outwith the Council.

(d) Council business for 2002-03

Document: AR/2002/1331

The Vice-Chancellor drew attention to the revised schedule of Council business for 2002-03 that would be regularly updated on a rolling basis.

(e) Higher education in Cumbria

The Vice-Chancellor reported that, over the last six weeks, issues relating to higher education in Cumbria had come to the forefront, as a means of addressing the lag in young people from Cumbria behind other national groups in their take-up of university education. One review was being chaired by Sir Brian Fender, the former chief executive of the HEFC(E), who would report on a possible consortium to enhance higher education in Cumbria. The Vice-Chancellor and Professor Abercrombie had met Sir Brian and had talked about what contribution Lancaster might make. The second review was being chaired by Sir Martin Harris, the deputy chairman of the regional development agency, and he would call a meeting of representatives from Lancaster, Central Lancashire, St Martin's College, the Cumbria Institute of the Arts and the agency. In addition the Learning and Skills Council had funded an alliance

of Central Lancashire, St Martins and the Cumbria Institute of the Arts in order to upgrade provision, and this alliance would be likely to form part of the consortium envisaged by the HEFC(E). It was expected that these consultative processes would have been completed by the end of February 2003.

A lay member of the Council warmly welcomed the report and indicated the widespread support for the active and distinctive participation of Lancaster in the balance of higher education in Cumbria.

(f) Admissions, October 2002

Document: St.R.2002/174

The University Secretary indicated her pleasure at the outcome of the October 2002 admissions process.

THE COUNCIL RESOLVED to receive and note the above reports.

CO.2002/67 Management School: current strategic issues

Ref: CA.5; document: AR/2002/1425

Professor Sue Cox, Dean of the Management School, indicated her pleasure at having the opportunity to share the current experiences of the School with the Council, particularly in relation to the growth of postgraduate numbers and the engagement of the School with the region through the Unit for Entrepreneurship and Enterprise. She was glad to report the retention by the School of its 5* rating in the 2001 research assessment exercise, which had placed Lancaster within a small and exclusive elite of the most highly placed business and management schools in the UK. The School had used its position of excellence to sell its courses by means of its website, and there had been a sharp increase in postgraduate applications. The School now had 740 overseas students, most of them postgraduate, and there had been growth of 36% in taught postgraduate courses. Because the market was so buoyant it had been decided, in cooperation with the Director of the Graduate School, that the School should develop its own graduate management school to cater for over a thousand students at that level. The School's specialist masters courses were in a good position to help manage the risk, while the MBA and the M.Sc. in Management included twenty-five different nationalities between eighty students and necessitated the reflection of much cultural diversity within the teaching. In addition, the various conversion schemes provided better job opportunities for their graduates. In order to ensure that the right kind of learning environment was being provided by the School, accreditation by EQUIS was being sought, and there was input from other external bodies, including a strong advisory board. The School

was also forming strategic alliances to deliver programmes around the world, and the University Secretary was assisting the School in setting up a limited company for the M.A. in Practicing Management as a new way of forming world-wide alliances.

The School strongly supported work in the North-West region by the Unit for Entrepreneurship and Enterprise, and with assistance from Professor Davies had secured £800,000 of ERDF funding for work with small and medium enterprises. The School was able to offer support to businesses across the region and part of the performance indices for the School related to the generation of knowledge and how it could be embedded in local communities. There were opportunities in private firms and the public sector to enhance the productivity of organisations across the North West and to work with local authorities on their agenda for modernisation.

Professor Cox noted that the demand side for the School was high, but the supply side was constrained by difficulties in obtaining sufficient numbers of staff. The School was committed to the support of the region, and to meet the challenge presented in the balance between opportunities and constraints.

The following points were amongst those made in discussion:

- (a) the importance of the cross-cutting areas within public sector management was stressed, and a plea entered that the importance of work within the immediate locality of the university should be maintained;
- (b) the relationships with other departments within the university were noted to include the current development of an M.Sc. in Environmental Management with Environmental and Natural Sciences, in order to use the leverage for recruitment enjoyed by the School for other areas
- (c) the School's system of incubator units made entrepreneurial skills accessible to all, and there was a new, student-led, entrepreneurship society;
- (d) potential staff who were deciding whether to take up posts at Lancaster would rely heavily on the School's research record and it was important that this was widely known;
- (e) the School wished to support efforts to address the severe decline in business skills and was in negotiation with bodies on the west coast of Cumbria for this purpose. These activities had to be balanced against and be complementary to the maintenance of the School's research excellence; of a total School complement of around a hundred staff, about ten were focussed on work with small and medium enterprises. The School was also working with a large company to cascade skills through a supply chain, and through clusters of organisations;

- (f) the reason for restrictions on Part I students who wished to register with the School, a move seen by LUSU as weakening other departments more than it helped the Management School, was the capacity of the School to cope with numbers. If more resources became available, the School could reconsider its policy.

THE COUNCIL RESOLVED to:

- (i) thank Professor Cox for her presentation and to note her invitation for Council members to contact or visit her;
- (ii) note that feedback on the form of such presentations would be valuable.

CO.2002/68 LU Students' Union

Ref: CA.6

1. *President's report*

The President of the Students' Union, Mr Danby, indicated that his main emphasis would be on student funding. Although increased fees might appear to be beneficial to universities, serious questions about them needed to be answered. In Australia, for example, it appeared there had been a decline in students from disadvantaged backgrounds, and 90% of universities that charged full fees, covering increases anything between 30% and 125%, had lowered their entry scores for students who could afford to pay. High tuition fees were also commonplace in the USA, with the most expensive institutions charging more than £19,000 a year.

The need by universities for extra sources of funding to cover the gap between funds allocated and their costs was of course accepted. Previous attempts to increase funding had however not brought in additional revenue: since the introduction of tuition fees to £1000 or above, £400 million had been raised by universities, while the government had reduced its funding to them by about the same amount. It was unclear whether universities would be certain to receive the benefits of any extra money raised by increases in tuition fees. Furthermore, if students were to pay more, they should receive more value for their money, such as a better chance of a job, or better facilities and teaching. There did not however seem to be much evidence that what students were receiving in 2002 was better than the provision twenty-five years earlier. Universities in the Russell Group were said to be advocating charges to students of thousands of pounds a year to study. Mr Danby would prefer to see Lancaster and similar universities supporting funding methods that based access to education on merit alone, putting people with the most potential

on the best courses. It should be made clear that the middle class should not be crushed by massive fees, that education was a right and not a privilege, and that there was no better way to fund it than through graduated taxation. The argument was often put that the cleaner did not want to pay taxes for others people's children to go to university: instead, the argument should be that the cleaner should not be unable to send his or her children there. There was no such thing as rich students, and costs should not be shifted onto them when high quality graduates benefited society as a whole.

If however Lancaster did decide to charge increased or differential fees, it would need first class facilities to attract the more value-conscious students. It was time to start taking the provision of facilities on the South-West Campus seriously, to ensure a full range of infrastructure and services, that were not just adequate but excellent. There was concern that because of financial pressures, some of the commitments previously made about college bars and social facilities might be eroded. No shortcuts should be taken, and Mr Danby hoped the Council would re-affirm its commitment to colleges of comparable size, accommodation and facilities on the South-West Campus as the main campus.

There had been an earlier reference to a green transport policy, but such a move required broad cooperation and work on the part not just of the university but also by local government, local transport providers, the Students' Union, and the local member of parliament. Numerous complaints were being received about the bus service between the university and the centre of Lancaster. There was a question about how the university could operate an effective green transport policy when students either could not board a bus, or were faced with over-crowding or overloading. It was time that a concerted effort was made by all the bodies involved to improve transport in Lancaster and not blame the university for what was essentially a local government problem. At present students were missing lectures or even getting into academic difficulties as a result of what the Students' Union perceived to be the gross inadequacy of the local transport provision.

Finally, Mr Danby expressed congratulations to Mr Jon Colman, the editor of *Scan* in 2001-02, for winning the title of best student reporter in the Guardian Student Media Award, as well as being the runner-up in Radio 1's student radio station of the year.

In discussion of current transport problems, the Council was told that proposed meetings with the university had been rejected by the bus company involved, that the perception of local residents was that students were to blame for crowding the buses, and that the route principally involved was exceptionally lucrative.

In discussion of tuition fees, the following points were amongst those made:

- (a) support was expressed for the students' position and for higher education to be part of a continuum of free education that enabled, for example, the children of the non-academic staff of the university to be able to afford to attend such a university;
- (b) students and their families from disadvantaged areas who were averse to risk were notable to foresee the longer-term benefits of higher education, but graduate taxation would be spread over a much longer period and be more affordable. While the concern about graduate tax was the period needed to accumulate funds, it would be more equitable;
- (c) a consultation paper had been published by government and it was to be hoped that members of the Council would back the students' view in making responses to it;
- (d) the Students' Union would like the Council as a matter of principle to support a shift to a greater proportion of the cost of higher education being borne by students or their families, and for the senior management of the university to advocate this policy at all relevant meetings they attended;
- (e) the university's strategy conference of 1996 had concluded that Lancaster should not independently introduce top-up fees for undergraduates, but in the event of their introduction, not to allow the generation of fee income to take precedence over academic quality as an entry qualification;
- (f) individuals might use the opportunity to challenge the assumptions of government but the institutional position should be to wait until the government strategy review was published;
- (g) the Vice-Chancellor would be seeing the minister of state for higher education in December and would brief her on the Council's views.

THE COUNCIL RESOLVED to:

- (i) receive the report of the LUSU President and to congratulate Mr Colman on his achievements;
- (ii) note that the current Council policy, unchanged from June 2001, in respect of Home/EU undergraduate tuition fees was that differential fees should not be charged;
- (iii) invite Mr Dawson and Mr Danby to discuss how the current transport difficulties might be resolved, and to take action as appropriate.

2. LU Students' Union accounts as at 31 July 2002

Mr Danby, presenting the annual accounts, drew attention to the strong position they represented, for a year in which all anticipated budgetary targets had been met. For example, the Housing Office had moved out of deficit and the Sugar House had continued to exceed expectations. While the performance of the shops was a little disappointing, new management for 2002-03 was expected to remedy the position. =

THE COUNCIL RESOLVED to:

- (i) to receive and accept the accounts;
- (ii) to congratulate the LU Students' Union on its financial performance.

CO.2002/69 Future student accommodation

69.1 Documents:

Summary of project by Director of Finance;
Appendix 1: Residences Transaction Summary;
Appendix 2: Project Summary: Tracked;
Appendix 3: Cash Cascade and commentary on cash cascade;
Appendix 4: Cashflow: HEFC(E) Financial Forecasts;
Appendix 5: Residences Room Programme;
Appendix 6: Term Sheet Jarvis UPP Revised (Phase 1A only);
Appendix 7: Risk Register UPP Revised;
Appendix 8: Risk Register: Tracked;
Appendix 9: Minutes of the Student Accommodation Council Project Executive of 25 October 2002 (AR/2002/1335) and 18 November 2002 (AR/2002/1536).

69.2 Resolutions:

69.2.1 To authorise:

- (a) the Student Accommodation Council Project Group (currently negotiating on behalf of Council) to continue acting on behalf of Council to conclude negotiations based on the current structure of the transaction as outlined to Council with the SPC, the SPC's funders sponsors and their professional advisers; and
- (b) the Authorised Signatory Group to confirm the actions of the Student Accommodation Council Project Group once such negotiations have been concluded (including confirmation of any variations, amendments and modifications to the Project Documents that the Authorised Signatory Group in their absolute discretion consider necessary save as set out in resolution 2.3 below). The conclusion of such negotiations and all such variations, amendments and modifications shall not require any subsequent confirmation by the Council provided that they are confirmed by the Authorised Signatory Group.

All such confirmations of the Authorised Signatory Group shall be binding on the University.

69.2.2 Without prejudice to the generality of resolution number 2.1 above the Student Accommodation Council Project Group shall be authorised to negotiate and conclude negotiations and the Authorised Signatory Group shall be authorised to confirm the actions of the Student Accommodation Council Project Group in relation to a transaction with the SPC for the provision of up to 700 rooms in the event that any conditions precedent to the transaction currently being negotiated are not obtained by a long stop date proposed by the SPC and agreed and confirmed by the Authorised Signatory Group. Such transaction for the provision of up to 700 rooms to be substantially in the form of the Heads of Terms provided to Council but with any variation, amendments and modifications that the Authorised Signatory Group in their absolute discretion consider necessary save as set out in 2.3 below.

All such confirmations of the Authorised Signatory Group shall be binding on the University and shall not require subsequent confirmation by the Council.

69.2.3 That the resolution of Council on 19 July 2002 and documented at number 5 of the Minutes of the Meeting of Council held on 19 July 2002 shall be replaced by the following resolution:

‘that the Authorised Signatory Group may not act on behalf of the Council in confirming any actions of the Student Accommodation Council Project Group where the effect of any confirmation would lead to an amendment, variation or modification of the Project Documents the effect of which is:

- (i) to lead to the Project having to be accounted for on the University’s balance sheet; or
- (ii) to affect adversely the VAT or direct tax treatment of the Project; or
- (iii) that if the SPC constructs and completes more than 3,500 rooms the modelled ground rent on completion of such rooms is less than £500,000 per annum in real terms; or
- (iv) that the average rent per room in the academic year commencing 2003 for new accommodation constructed by the SPC is greater than £68 per week in real terms; or
- (v) the total number of rooms leased to the SPV on completion of development is greater than 4,500 rooms; or
- (vi) the threshold IRR at which the University received the share of the financing gains is greater than 15%, calculated on a commitment basis; or
- (vii) to lead to Ambac Assurance UK Limited’s approval as bond holder to the transaction being withheld.’

69.2.4 To approve the obtaining of a premium on financial closure of Phases 1B, 2, 3 and 4 of the transaction calculated by reference to the latest financial model.

69.3 The Director of Finance reported that the planning approval process was complete, subject to the fulfilment of certain conditions.

69.4 He reminded the Council that at its meeting on 19 July, members had been concerned about what would happen if there were changes in the institutional environment during the four-year construction phase. An option for partial termination had therefore been negotiated as a right for the university to exercise at its discretion. As a result the project had been re-phased, and the revised timetable was attached as Appendix 5. Thus the university had the ability to terminate the final phase during which The County College and Grizedale College would be demolished and rebuilt. The amount of anticipated ground rent would be less, but that would be costed in the eventuality that partial termination was agreed to be in the best long-term interests of the university. The banks and Ambac had stated their wish to have the same option, but the university had tried to constrain their choice and to define some objective parameters that would form the basis for the option to be exercised. The option, if exercised, would occur at the end of Phase 3 i.e. early in 2004.

- 69.5 He next explained that the financing structure for the project had been altered. As indicated to the Council in October, Ambac was now potentially involved both as guarantor of the debenture stock and of the student accommodation project, and increasing concern had been felt about the committed rent structure. Ambac had therefore suggested the alternative model of a cash cascade model, as shown diagrammatically and annotated in Appendix 3. The benefits to the banks would be better cover ratios and hence more comfort about the certainty of them recovering money due to them. All rental income would flow together and, if the performance of the financial out-turns was not as strong as predicted, there were progressive and agreed withdrawal of upside benefits, with the repayments to the banks coming last i.e. being given the highest priority.
- 69.6 The credit rating agency, Standard and Poor's, needed to be able to give an investment rating grade to the project of a minimum of BBB-, while at the same time they were considering the annual update of the university's credit-rating. There was a wish not to improve the rating of the transaction at the expense of the rating given to the university, and some negotiating still to take place about this aspect of the transaction.
- 69.7 The Director of Finance reported that during the last week Abbey National had both approved bridging finance for a twelve-month period and the provision of funds into the Phase 1A transaction (see below, 69.8). The key agency was Ambac, and only today news had been received that the relevant officers had approved the fallback Phase 1A transaction and the transfer of properties as security. There was an increasing degree of confidence that full Ambac approval would be achieved over the next three to four weeks.
- 69.8 In the meanwhile Jarvis had a direct interest in what decision the Council would reach. They sought the university's commitment to the larger transaction but also to the smaller one. If there was to be some new accommodation available by October 2003, it was necessary for work to commence on site by 25 November 2002, with the risk residing fully with Jarvis plc. If only Phase 1A were to be completed, the university would face the opportunity cost in the longer term of not having secured the upgrading and replacement of existing residences.

The characteristics of the stand-alone Phase 1A, if implemented, would be as shown in the term sheet at Appendix 6 and would include: the transfer of land to the project company for full consideration and recovery of land and buildings in 35 years' time; no premium or ground rent to be paid by the project company; the university to market the accommodation and allocate students to rooms; and rents receivable from students to be paid

to the project company net of costs due to the university. The university would retain the credit risk on rooms let to students, and the university would be paid for services procured by the project company on an arm's length basis. The timescale in Appendix 1 showed how the transaction would transfer to the stand-alone Phase 1A early in 2003 if Ambac full approval had not by then been achieved. There was however some flexibility within the small transaction to complete up to 550 rooms, for which planning approval had previously been obtained, and this arrangement would give a reasonable cost per room.

69.9 Finally, the Council was told that the Student Accommodation Project Executive had agreed a strategy that concentrated on the main transaction but with the stand-alone Phase 1A if necessary. The resolutions supporting this position were set out in the agenda.

69.10 In discussion, the following points were amongst those received:

- (a) the university, in agreeing to the revised cash cascade structure, had traded one set of risks for another and had created a situation where it would be forced to manage its overall position across both the properties within the project and the retained properties. It would be highly incentivised to maximise its marketing position;
- (b) the worst case for the university would be that there was no ground rent or other residual income payable to it from the transaction;
- (c) the likelihood of Ambac making a perverse decision to exercise its right of termination and give up the ground at the end of Phase 3 was unlikely, and the interests of Ambac and the university were designed to coincide during the period of the transaction;
- (d) the long-stop date referred to in 2.2 was intended to be the date by which the main transaction was if necessary varied to become the small one. This decision was at the discretion of Jarvis, and would probably occur, if it were to do so, at the end of March 2003;
- (e) the Student Accommodation Project Executive had been activated at the request of the Vice-Chancellor who had felt it appropriate that the larger group should become familiar with the transaction;
- (f) the tight timetable for the completion of any additional rooms for occupation by students at the beginning of the 2003 Michaelmas Term was acknowledged and had been discussed by the project executive on 18 November. While there was no formal procedure for compensation to students, further consideration of the issues raised would be resumed at the next meeting of the project executive.

THE COUNCIL RESOLVED:

- (i) to authorise the Student Accommodation Project Executive to operate with effect from the July 2002 meeting of the Council;
- (ii) with the above amendment, to approve resolutions 2.1, 2.2, 2.3 and 2.4 as set out above;
- (iii) to thank the Director of Finance and his team for the sterling work they had carried out on the project.

CO.2002/70 Finance and estates

Ref: CA.7

The chairman of the Finance and General Purposes Committee, Mr Turner, introduced the following items.

(a) Annual accounts as at 31 July 2002

The attention of the Council was drawn to the statement of corporate governance and internal control. The 2001-02 financial year had been a success for the university, and the balance sheet showed resilience for the future; in particular the headroom beyond the baseline ratios set for the debenture stock.

The Council's attention was drawn to the university's revised policy in relation to FRS.17 and the difficulties involved in showing within the balance sheet how pension assets and liabilities shifted year on year. The university's pension charge for the year calculated under FRS.17 assumptions was not included in the financial statement, but the effect such an inclusion would have made was shown. The Director of Finance noted that to date there was to be no increase in employers' contribution levels to the pension schemes with which the university was involved.

THE COUNCIL RESOLVED to approve the accounts.

(b) Management accounts

Document: FO/02/57

The management accounts as at 31 October 2002 were noted to represent a satisfactory first quarter for the financial year.

THE COUNCIL RESOLVED to receive the management accounts as at 31 October 2002.

(c) Risk management and internal control

Document: FO/02/59

The Council was reminded that the university had a duty to the HEFC(E) to manage its risks and to measure changes in their level and the performance of activities against targets. The risk management schedule was monitored through the Finance and General Purposes Committee and the Audit Committee, and was regularly reviewed by the internal auditors.

THE COUNCIL RESOLVED to approve the updated schedule of risk management and to endorse the actions being taken to manage the risks.

(d) LEC 1 and 2

Documents: FO/02/62; FO/02/63

The Director of Finance reported that the current construction phase was on schedule and a suite of refurbished accommodation was already in use. Good progress was also being made on fitting out the new build earmarked for the university.

More recently the NERC Council had approved a proposal for a further CEH group to come from Windermere to Lancaster and this would alter the specification for the NERC accommodation in LEC 1. There were some modest changes to the refurbishment of B and C floors that could be absorbed into the existing timescale. There would however also be substantial alterations to accommodation to the north side of the existing building, affecting all three floors and including moves to and addition to laboratory space and the relocation of a lecture theatre, that were currently in the ownership of the university. Detailed changes would be resolved, agreed and costed with the contractor and a revised completion date confirmed.

The new areas under construction for the university would not be affected by these changes, in terms of either time or cost, and the present overall management structure for the project would continue. The request for the use of space by the NERC at present occupied by the university was however not economically viable if their costs were by this means passed to the university. The laboratories that were to be moved would therefore need to be integrated into other new or refurbished space already available, but the relocation of the lecture theatre was recognised to be the most difficult element. The Lancaster scientists involved, working with the dean, had evaluated the available options and given the Director of Finance a negotiating brief. There had also been

discussions about the form and use of a building remote from the LEC complex, and those involved were concerned to find alternative locations for such facilities as an aquarium or how to make coherent use of such a development. Furthermore, the NERC had a fixed and tight budget, believed to be about £3.4 million, which was to pay for a complex set of changes, the remote building if constructed, and payment to the university to compensate for university accommodation they expected to occupy. There was a clear understanding that the changes would not result in additional costs for the university. Although there was a written commitment from the NERC that the costs of additional work by the professional team would be met, because of their constrained finances this undertaking might not in practice be capable of fulfilment.

The LUDL board of directors had met earlier in the week to consider the latest developments, and while there had been some discomfort amongst members, there had also been pragmatic recognition that the changes must proceed and must be monitored and managed. Fortunately HBG had proved to be a good contractor who was flexible and worked actively with the parties concerned to resolve difficulties.

THE COUNCIL RESOLVED to approve the actions being taken in respect of LEC 1 and 2 as set out.

(e) *InfoLab21*

Document: FO/02/69

The Director of Finance drew attention to the detailed document included with the Council papers and noted the proportions of external funds being provided relative to the university's own resources were positive. While the timetable was tight to meet the conditions set by the NWDA, a good design team was in place and the project was under control. It had also received full planning permission from the local authority.

In answer to questions, the Council was told that the beneficial occupation by students of nearby residential space should not be affected by the building programme. While financial compensation to students was not ruled out, each case would have to be decided on its merits, and the extent of the disturbance would be significantly affected by the quality of the contractor's managers.

THE COUNCIL RESOLVED to:

- (i) note the current status of the project;
- (ii) authorise the university's commitment to the revised capital project, totalling £15 million;
- (iii) approve the commitment of £2.5 million of university funding for the project (consisting of £2 million of SRIF funds and £0.5 million of university reserves);
- (iv) delegate authority to a capital approvals group, in order to conclude the contractual framework, the appointment of a contractor, and the finalisation of the funding from the NWDA and the ERDF.

CO.2002/71 Audit Committee

Ref: CA.8; documents: Internal Auditors' Annual Report to Council; VC/02/R284; VC/02/R311; VC/02/R301

PROPOSAL (chairman, Audit Committee):

- (a) that the attached documents be noted;
- (b) that Pricewaterhouse Coopers' appointment as external auditors be extended by one further year to cover the audit of the financial year to 31 July 2003;
- (c) that the university test the market for provision of internal audit services during 2002/03 and that Deloitte and Touche be invited to participate in that process.

THE COUNCIL RESOLVED to:

- (i) receive and note the annual report of the internal auditors and of the committee;
- (ii) approve (a), (b) and (c).

CO.2002/72 Finance and General Purposes Committee

Ref: CB.1; document: AR/2002/1385

THE COUNCIL RESOLVED to receive and endorse the actions taken by the committee, as set out in a minute of a meeting held on 1 November 2002.

CO.2002/73 Estates Committee

Ref: CB.2; document: AR/2002/1276

THE COUNCIL RESOLVED to receive and endorse the actions taken by the committee, as set out in a minute of a meeting held on 10 October 2002, with particular reference to action on the design of InfoLab21, signage, and framework agreements.

CO.2002/74 Grievance procedures

Ref: CB.3; documents: PS/98/805; AR/2002/1427 =

The Council was invited to approve the revised grievance procedures, as set out, for:

- (a) academic and academic-related staff (approved by the Senate on 9 October 2002);
- (b) non-academic staff,

for immediate implementation.

THE COUNCIL RESOLVED to:

- (i) approve the proposal, subject to grievances against the Vice-Chancellor being investigated by a Deputy Pro-Chancellor;
- (ii) accept the texts of the procedures as the ninth Ordinance of the university.

CO.2002/75 Creative Writing: change of academic location

Ref: CB.4; document: AR/2002/1390

PROPOSAL (Vice-Chancellor, on behalf of the Senate): that Creative Writing become part of the Department of English, and that the department be re-named Department of English and Creative Writing, with effect from 1 August 2003.

THE COUNCIL RESOLVED to approve the proposal.

CO.2002/76 Naming of a building

Ref: CB.5

PROPOSAL (Vice-Chancellor): that the new modular building, adjoining the Engineering Building, be named the Whewell Building.

THE COUNCIL RESOLVED to approve the proposal.

REPORTS

CO.2002/77 Appointments and resignations

Ref: CC.1; document: AR/2002/1419

The Council received the following reports:

- (i) new appointments for formal acceptance;
- (ii) extensions of appointments;
- (iii) determining or determined appointments;
- (iv) resignations, including retirements;
- (v) death in service.

A member queried how comprehensive the reports were.

CO.2002/78 Research grants received

Ref: CC.2; document: AR/2002/1420

The Council received a list of recent grants received for information.

CO.2002/79 Principal of The County College

Ref: CC.3

The Council received a report that the Pro-Chancellor, acting on its behalf, had approved a proposal from the Search Committee set up to appoint a principal of The Council College that Mr P. R. Elliott be appointed for the period 16 October 2002 to 31 July 2005.

CO.2002/80 Written reports of meetings

Ref: CC.4

The Council received the following written reports of meetings for information.

- (i) Senate, meeting on 9 October (AR/2002/1423);
- (ii) College and Residence Committee, meeting on 14 May 2002 (CR/02/30);
- (iii) Committee on Relations between the University and the Students' Union, meeting on 29 October 2002 (CR/02/64).

CO.2002/81 Annual reports, 2001-02

Ref: CC.5

The Council received the following annual reports for information:

- (a) College's annual report;
- (b) Student Support annual report.

The Council resolved to congratulate those people responsible for the work recorded in the reports.