

UNIVERSITY OF DUNDEE

UNIVERSITY COURT

A meeting of the University Court was held on 14 December 2015.

Present: Mr E Sanderson (in the Chair), Principal Professor Sir Pete Downes, Ms J Aitken, Mr R Bint, Professor SM Black, Mr RS Bowie, Dr WGC Boyd, Mr K Burns, Mr J Elliot, Mr I Howie, Mr T Hustler, Professor T Kelly, Ms B Malone, Ms J Marshall, Ms K Reid, Mr KA Richmond, Mr D Ritchie, Professor M Scott and Mr D Taylor.

In Attendance: University Secretary; Vice-Principal (International); Director of Finance; Director of Organisational Development; Director of Academic & Corporate Governance; Director of Strategic Planning (Minute 26); and Clerk to Court.

Apologies: Lord Provost Mr R Duncan, Dr AD Reeves, Vice-Principal (Academic Planning & Performance) and Vice-Principal (Learning & Teaching).

The Chair welcomed Mrs Fiona Wight to the meeting who would be serving as Policy Officer (Corporate Governance) & Clerk to Court from 1 January 2016. Following on from this, he advised members that this would be Mr Iain Kennedy's last meeting as Clerk to Court. Members thanked Mr Kennedy for his contributions to the Court over the last six months and wished him well in his new role.

18. MINUTES

The Court decided: to approve the minutes of the meeting on 26 October 2015.

19. MATTERS ARISING

(1) Rectorial Election 2016

- The Court decided:**
- (i) to homologate the Chairman's decision to approve the dates on behalf of the Court;
 - (ii) to note that the polling days for the Rectorial Election would be 4 & 5 February 2016

(2) Museum Policies (Minute 16)

The Court decided: to note the importance of the Museum Services in curating exhibitions which contribute to the impact case study component of the Research Excellence Framework (REF).

(3) Welfare & Ethical Use of Animals Committee (Minute 17)

The University Secretary informed the Court that an internal investigation was underway and that an update would be presented to the Court in due course.

The Court decided: to note the update.

20. **CHAIRMAN'S REPORT**

The Chairman presented his regular report to the Court, outlining his activities since the last meeting. The Chairman highlighted his attendance at the Endowment's Sub-Committee and informed the Court that the University would be tendering for a new fund manager in the near future. The Court also noted that discussions were ongoing with the Scottish Government in relation to the Higher Education Governance (Scotland) Bill and that the Chairman would be attending a meeting of the Scottish Committee of Chairs on 22 December. The Chairman went on to highlight the Discovery Days lecture series on 14 and 15 January 2016 and encourage Court members to attend.

The Court decided: to note the report.

21. **PRINCIPAL'S REPORT**

The Court received a report from the Principal (**Appendix 1**).

The Principal informed the Court of further developments in relation to the Higher Education Governance (Scotland) Bill since the meeting in October. In doing so, the Principal indicated that the Scottish Cabinet Secretary for Education & Lifelong Learning would introduce amendments to clarify the government's intent to legislate on a number of matters of concern to universities. These included: an election process for the Chairpersons of Governing Bodies; the inclusion of defined trade union representation on governing bodies; and the power to determine the composition of Academic Boards. Members noted that the Government may be willing to reconsider clauses which would enhance the powers of ministers to influence matters of governance, thereby greatly reducing the risk of Office for National Statistics (ONS) re-classification. The Court noted that the HE Governance Bill had almost completed the first stage of the legislative process and that the opportunities to further influence the drafting of the Bill would be limited.

The Principal also informed the Court of the publication of a consultative 'green paper' on higher education by the UK Government in November. While most of the proposals would be applicable to England only, the Principal drew the Court's attention to two proposals which would be of relevance to the Scottish sector.

Members were informed of the proposal to introduce a Teaching Excellence Framework (TEF), the stated aim of which was to encourage a greater focus on teaching and employability. Court noted that very little detail had been provided but that as currently envisaged, the TEF would use measures such as student satisfaction, student retention rates and graduate job prospects to rank universities in a similar way as the Research Excellence Framework (REF) assesses a university's research qualities. The Principal informed the Court that it was also the government's intention to permit English

universities that perform well in the TEF to raise their tuition fees in line with inflation, while those who did not meet the expectations of the TEF would be unable to do so.

Members noted that the TEF and associated funding model could further distort the UK-wide funding picture to an even greater extent. In addition the introduction of a metrics based framework to assess teaching quality in England could also pose questions for the future of the Quality Assurance Agency which played a role in assessing the quality of teaching provision in Scotland. The Principal informed the Court that the Learning & Teaching Committee of Universities Scotland was reflecting on the green paper and on the best method of maintaining a UK-wide method of assessing the standard of learning and teaching. The Principal informed the Court that this could take the form of including some of the current mechanism employed in Scotland, including the use of Enhancement Led Institutional Reviews (ELIRs).

The second issue arising from the green paper was the Government's stated aim to 'simplify the research funding system'. The Principal informed the Court that the government were not proposing to end the dual funding system for research but that there could be significant alterations made to the REF. In addition members noted that the green paper also stated that the government would consider the recommendations of Sir Paul Nurse's review of the Research Councils.

The Court noted that the green paper was subject to consultation and that the Principal would update the Court on developments at the next meeting.

The Principal highlighted to Court the award of a £10 million grant from the Leverhulme Trust to establish a Research Centre for Forensic Science. Members noted that the University of Dundee was one of four UK universities to win one of the new Research Centre awards.

In response to questions the Principal informed members that the award did not include overhead costs but that the Leverhulme Award recognised the world class expertise of CAHID and therefore should help leverage additional funding which would include overhead costs.

Turning to finance, the Principal informed the Court that the student intake figures for September 2015 had now been finalised. Members noted that although there had been an increase of approximately £1.75m in year-on-year income from tuition fees that figure had fallen below the budgeted target by over £2m. The Principal informed the Court that taken alongside other variances, the year-end forecast currently indicated a deficit of £3.03m against the breakeven budget for 2015/16.

Members noted that the University Executive Group (UEG) had been working intensively with Schools and Directorates to recover the in-year budget position and that all Schools, with one exception, had agreed savings against budget to compensate for income shortfalls. Furthermore, members noted that three Schools, (Education & Social Work, Medicine and Nursing & Health Sciences), had agreed forecasts that would see them improve on their previously agreed budgets.

Financial Projections

The Principal delivered a presentation to the Court in relation to the three year financial projections.

The Principal reminded the Court that the three-year financial projections presented to the Court in June 2015 had forecast deficits of £6m in 2016/17 and £3m in 2017/18 before returning to a breakeven position. As a result of discussions at the Court Retreat, primarily the strategic growth of unregulated income combined with stringent cost control, the projections had been revised upwards in such a way that a deficit of around £3m in 2016/17 would be followed by a breakeven budget in 2017/18 with a return to surpluses thereafter.

The Principal drew Court's attention to the fact that notwithstanding the return to surplus in 2018/19, the University would need to generate even larger surpluses than those forecast in order to secure additional funds for capital expenditure and maintenance of the estate.

The Court considered figures showing the level of contribution of each School over the last five years. The Principal informed members that these figures had been provided to Deans and Directors as part of the planning process and that the UEG had tasked them to devise strategies to ensure each School maximized its financial contribution. The Court noted that if each School delivered a contribution equal to the highest achieved in the five year period the financial position of the University would improve in line with the revised forecasts from the Court Retreat.

The Court also noted that if those Schools currently in deficit took such actions as necessary to deliver a surplus, the University's overall budget position would improve by £6.3m. In response to questions the Principal informed members that the most successful strategy would be one that focused on a combination of bringing those Schools in deficit into surplus, and tasking those in surplus to deliver the better of either their 2015/16 budget or their best contribution over the last five years.

Members inquired as to when the process outlined above would be complete and how the Court would be informed of the outcome. In response the University Secretary informed the Court that the process would be complete by early January and that revised forecasts would be presented to the Finance & Policy Committee and then Court in February. Members also suggested that it would be advantageous for the Court to receive presentations from the Deans or from the Vice-Principal (Academic Planning & Performance) on the approach each School would adopt to contribute to the University's financial sustainability.

The Principal also informed the Court that both the June and Court Retreat projections had been based on the estimate of a 'flat cash' settlement from the Scottish Government via the SFC. Members noted that despite a small cash increase to the Scottish Government as a result of the recent UK Government Spending Review the extent of protection guaranteed by the Scottish Government to other areas of Scottish public spending, meant that a 'flat cash' settlement for higher education would be highly unlikely.

The Principal informed the Court that the UEG had given careful consideration to how a further cut would impact on the existing strategy. The Court noted the UEG's conclusion that any reduction beyond 4% would be incompatible with the strategy agreed at the Court Retreat. The Court also noted that the UEG were engaged in scenario planning for such an eventuality, but that detailed planning would not be possible until after the budget announcement on 16 December.

Members noted that the Principal had been heavily engaged in discussions with the Scottish Government in his role as Convener of Universities Scotland. The Principal informed the Court that the sector had advocated that any reduction in funding would limit the ways in which Scottish universities could support a range of public policy priorities.

Members suggested that given the uncertain external funding environment and the current budget position it would be prudent for the Court to undertake strategic risk planning and requested that the institutional risk register be presented at the next meeting.

In the discussion which followed members inquired about the Transparent Approach to Costing (TrAC) data for Life Sciences. The Principal informed Court that the level of contribution from Life Sciences had indeed declined over the five year period and that although the School contributed significantly to the University's reputation it needed to do more to leverage that reputation to improve its financial position.

The Principal highlighted the strong performance of the School of Medicine in improving its financial contribution by controlling research costs and increase unregulated fee income. The Court noted that this should act as a model for other Schools.

With regards to research, the Court noted that the Vice-Principal (Research, Knowledge Transfer & Wider Impact) was undertaking work to assess the true cost of research across the University and to devise appropriate strategies which would reduce the costs incurred from unfunded research and maximise potential of research income. Members noted that the Vice-Principal would report to Court in the new year on the outcome of this project.

Turning to income generation, the Court received an update from the Vice-Principal (International) and the Director of External Relations on the issue of student recruitment. Members noted the success of a recent trip to China which sought to build on existing relationships with Chinese Universities. The Vice-Principal informed the Court that in addition to the formation of strategic partnerships with Chinese institutions the University was seeking to increase the number of directly recruited international students. In this regard the Court noted that the recruitment cycle for 2016/17 had already commenced and that recruitment activity for the student intake 2017/18 would commence in the near future. The Vice-Principal advised the members that a second trip to China would take place in January.

The Director of External Relations informed members that Taught Postgraduate applications were up 40% on the same point last year and that the focus of the Admissions & Recruitment team would now shift to converting these applications to acceptances.

The Principal concluded his presentation by reminding members that although the previous year had been a challenging one in a number of aspects, the University had achieved much, including recognition as Scottish University of the Year, and those successes and commitment to delivering high quality teaching and research should act as a guide for future discussions.

- The Court decided:**
- (i) to receive an update on the financial forecasts at the next meeting
 - (ii) to receive an update from the Deans or Vice-Principal (Academic Planning & Performance) on how each School will improve its contributions to the University's financial sustainability;
 - (iii) to note the report.

22. FINANCIAL STATEMENTS FOR THE YEAR ENDING 31 JULY 2015

(1) Financial Statements

The Court received the reports and financial statements for 2014/15 http://www.dundee.ac.uk/finance/procedures/financial_statements.htm.

These had been reviewed by the Finance & Policy Committee and Audit Committees in consultation with the external auditors, and both committees recommended approval.

The operating deficit for 2014/15 was £0.9m with an overall surplus for the year of £3.7m once restructuring costs and the Research Development Expenditure Credits (RDEC) claim were taken into account.

Income from the Scottish Funding Council (SFC) was broadly neutral having increased by 1.3% to £88.7m, while income from tuition fees and education contracts rose by 8.8% to £44.5m. Research grants and contracts increased by 4.3% to £82.4m including receipt of the RDEC credit of £10.3m. Excluding the RDEC claim, underlying research income declined by 8.8%.

Total expenditure before taxation increased by 1% to £248.5m with staff costs increasing by £0.6m (0.4%), other operating expenses decreasing by 1.1% to £85.7m and depreciation increasing by £2.6m (although this was offset by the release of £2.2m from deferred capital grants).

The University's cash position remained favourable despite the total cash at year end decreasing by £15.5m to £17.2m. Future commitments represented by net current liabilities amounted to £29.4m. Turning to the balance sheet, the Committee noted that the total net assets for the group, including pension liability had decreased from £170m to £162m.

Members noted a number of changes to the format, including a Chairman's statement and the presentation of some figures. Members asked that in future years the tone of the document should reflect better the intended audience.

The Court decided: as recommended by the Audit and Finance & Policy Committees, to approve the Reports & Financial Statements for the year ended 31 July 2015.

(2) Letter of Representation

The Court considered the proposed draft letter of representation to be provided to the auditors.

The Court decided: to approve the letter of representation for signature by the Chairman and Principal.

23. **FINANCE & POLICY COMMITTEE**

The Court received a report of the meeting of the Committee on 16 November 2015 (**Appendix 2**). The Committee had reviewed the Financial Statements and recommended their approval. The Convener drew the Court's attention to the recommendation that the Court approve the revised Committee Remit and Terms of Reference.

The Court noted the Committee's discussions relating to the acquisition of a new credit facility, the Business Transformation Project and the use of delegated authority under the Schedule of Delegation.

Members noted that six banks had been approached to tender for a £50m credit facility and five had responded. The Court noted that a process of detailed negotiation would commence with two banks and that the Director of Finance would provide an update at the next meeting of the Committee in January. Turning to the Business Transformation Project, members noted that current activity was focussed on the Public Sector Competitive Dialogue Procurement process and that three vendors were scheduled to be taken through to the final tender process which should conclude in May 2016. The Court noted that the integrated business system would be implemented in two distinct phases, with Finance, Payroll / Pensions, HR and Research expected to launch in August 2017 and Student Records in August 2019.

The Director of Finance also provided an overview of the management accounts and members noted the accounts showed a deficit of £640k – a negative variance of £309k relative to the budget.

The Court decided:

- (i) to approve the revised Committee Remit & Terms of Reference;
- (ii) to note the Subsidiaries' and Associated Companies, as well as the DUSA accounts for 2014/15; and
- (iii) otherwise, to approve the report.

24. **AUDIT COMMITTEE**

(1) Minutes

The Court received a report of the meeting of the Committee on 30 November 2015 (**Appendix 3**). The Convener highlighted the Committee's annual report to Court along with the Committees recommendation that the Court confirm the

University as a going concern and approve the Financial Statements. The Convener also informed Court of the Committee's recommendation that Court approve a revised Anti-Bribery Policy Statement.

In response to questions on the Anti-Bribery Policy Statement and associated training, the Director of Academic & Corporate Governance informed the Court that the University currently takes a risk based approach and delivers bespoke training for staff engaged in work under the provisions of the policy.

The Court also noted that discussions with the external auditors, PwC, who had reached the end of their contract with the University. Members noted that, notwithstanding the going concern confirmation in respect of the 2014/15 Financial Statements, the financial trends were unfavourable and radical change would be required to avoid the large deficits which have been predicted for future years. The Court also noted the auditor's advice relating to voluntary severance schemes and the Business Transformation Project.

The Convener drew Court's attention to the revised internal audit plan which would enable the auditor to conduct project assurance in relation to Business Transformation as well as review the processes underpinning financial sustainability in Schools.

In the discussion which followed the Court considered the project's current governance arrangements and reaffirmed that the Audit Committee would continue to provide oversight of the project on behalf of the Court.

The Court decided:

- (i) to confirm the University as a 'going concern';
- (ii) to approve the revised Anti-Bribery Policy Statement (**Appendix 3** annex); and
- (iii) otherwise, to note the report

(2) Annual Report of the Audit Committee

The Court received the annual report from the Audit Committee for 2014/15 (**Appendix 4**).

The Court decided: to approve the report for onward submission to the Funding Council.

25. GOVERNANCE

(1) Governance & Nominations Committee

The Court received a report of the Committee's meeting on 16 November 2015 (**Appendix 5**). The Court noted the discussions in relation to the appointment of a new Chairperson of Court, the Statement on Diversity on Court and the renewal of Court membership.

The Court decided: (i) subject to minor amendments, to re-approve

the Statement on Diversity on Court (**Appendix 5** annex);

(ii) to approve the re-appointment of Ms Shirley Campbell as a lay member in terms of Statute 9(1)(L) of the Court for a further term of four years to 31 July 2020; and

(iii) otherwise, to note the report.

(2) Update on Chairperson of Court Appointment Process

The Court received an update from the Chancellor's Assessor in relation to the ongoing process to appoint a new Chairperson of Court in succession to Mr Eric Sanderson. Members noted that the Appointment Panel had recently met to compile a longlist of candidates and that the Panel would meet in January to refine the list further before commencing interviews later that month or in early February 2016.

The Court noted that the Panel was on schedule to make a recommendation to the Court at the February meeting.

The Court decided: to note the update.

26. UNIVERSITY STRATEGY TO 2017: KEY PERFORMANCE INDICATORS

(1) Employability, Enterprise & Entrepreneurship (EEE)

The Court received a paper from the Vice-Principal (Learning & Teaching) and Director of Strategic Planning which outlined data on the performance indicators contained within the EEE Strategy. The report highlighted performance over time, performance against target and performance compared with benchmarking institutions.

The Director of Strategic Planning informed the Court that graduate employment now stood at 80% which was a significant increase and as a result the University was now ranked 3rd in Scotland for that particular measure. The Director explained that the improved performance was down to a higher response rate in the most recent Destination of Leavers from Higher Education (DLHE) survey and recent work to raise the profile of this measure.

Members also noted that Deans were working together in order to share ideas on how to further increase engagement with the employability agenda.

The Court decided: to note the report.

(2) Financial Sustainability

The Court received a paper from the Director of Finance outlining analysis of performance relative to the Financial Sustainability Strategy. Members noted that the report was consistent with data presented within the Annual Financial

Statements and the Financial Review of the Year considered by the Finance & Policy Committee.

The two KPIs reported in this area were percentage operating surplus and income per academic FTE, data relating to Performance Indicators (PIs) were also provided as an appendix. The Court noted that the key measures showed that the University underperformed relative to its comparator group and that the financial performance of the University had declined, in line with the management accounts and budget forecasts.

In the discussion which followed members inquired as to why the key performance indicator relating to the income per academic was lower than comparators. In response, the Principal informed the Court that issues which affected this measure included: the teaching of small classes, high module load and the amount of unfunded research carried out.

Members also noted that the definition of academic staff was applied at a UK-wide level and included staff such as post-doctoral research fellows engaged in research under a principal investigator. The Court noted that the Vice-Principal (Research, Knowledge Transfer & Wider Impact) would be considering how performance on this measure could be improved and he would report to Court in the new year.

The Court decided: to note the report.

27. REMUNERATION

(1) Remuneration Committee

The Court received a report of the Committee's meeting on 23 November 2015. The Court noted the Committee had discussed the guidance for University Remuneration Committees contained in the Scottish Code of Good HE Governance, the Committee's new remit and the policy and procedure for the 2015 pay review process.

The Director of Organisational Change informed the Court that three open meetings had been held to inform staff of the new process. Members noted that, although attendance had been low, those that had attended found the meetings useful and welcomed the transparency of the new process.

The Director also informed the Court that the number of applications subsequently received had been lower than expected, especially from female members of staff. The Remuneration Committee had therefore decided to permit management-led nominations during the 2016 pay review.

In the discussion which followed some members suggested that the Committee should remain open to permitting management-led nominations beyond 2015 in an effort to secure a higher number of applications from female staff.

The Court decided: to note the report.

(2) Senior Officers Report 2014/15

The Court were informed that the Senior Officers Report for 2014/15 would be presented for the Court's information at the next meeting.

The Court decided: to note the update.

28. **COMMUNICATIONS FROM THE SENATUS ACADEMICUS**

The Court received a report from the meeting of Senate on 2 December 2015 (**Appendix 6**). Members noted the discussions related to the University's financial position and the upcoming EU Membership Referendum.

The Court also noted the appointment of Ms Janice Aitken and Professor Stuart Cross as Presiding Officers for the Rectorial Election 2016.

The Court decided: (i) to approve the recommendation that Professor Sue Black be appointed a member of the Senatus coterminous with her appointment as Deputy Principal (Public Engagement) under Statute 10 1(h);

(ii) otherwise to note the report.

29. **WELFARE & ETHICAL USE OF ANIMALS COMMITTEE**

The Court received a report from the meeting of the Welfare & Ethical Use of Animals Committee on 21 October 2015.

The Court decided: to note the report.

30. **STAFF**

Professorial and Other Grade 10 Appointments

The Court noted the appointment of Professor Tim Newman as Vice-Principal (Research, Knowledge Transfer & Wider Impact) from 1 October 2015.

APPENDIX 1

PRINCIPAL'S REPORT (Minute 21)

As usual for the December meeting of the Court we have several agenda items regarding the University's finances, including the Financial Statements 2014/15 and the annual report on Financial Sustainability. While I do not want to duplicate issues outlined in papers elsewhere on the agenda, or distract from the business at hand, I will highlight key issues and other significant developments since the last meeting.

Governance

Since the last meeting of the Court in October there have been further developments in relation to the Higher Education Governance (Scotland) Bill. It appears likely that the Scottish Cabinet Secretary for Education & Lifelong Learning will introduce amendments which clarify the government's intent to legislate on a number of matters of concern to universities. These include: an election process for the Chairpersons of Governing Bodies; the inclusion of defined trade union representation on governing bodies; and the power to determine the composition of Academic Boards (the Senate in our case). It is likely that clauses which appeared to enhance the powers of ministers to influence matters of governance directly will either be removed or substantially amended, greatly reducing the risk of ONS re-classification.

Universities Scotland is continuing to engage with the government and I hope be in a position to provide a further update at the meeting.

UK Government Green Paper on Higher Education

As some members may be aware, on 6 November the UK Government published a consultative 'green paper' on higher education. Many of the proposals within the paper are not directly relevant to Scotland however, I would highlight two issues in particular which will impact on the Scottish higher education sector.

Firstly, it is proposed to introduce a Teaching Excellence Framework (TEF) the stated aim of which is to encourage a greater focus on teaching and employability. It is proposed that the TEF will use measures such as student satisfaction, student retention rates and graduate job prospects to rank universities in a similar way as the Research Excellence Framework (REF) assesses a university's research qualities. It is also the government's intention to permit English universities which perform well in the TEF to raise their tuition fees in line with inflation, while those who do not meet the expectations of the TEF would be unable to do so.

The TEF and associated funding model could further distort the UK-wide funding picture to an even greater extent, which is of concern, but the introduction of a metrics based framework to assess teaching quality in England also poses questions for the future of the Quality Assurance Agency which plays a UK wide-role in assessing the quality of teaching provision in Scotland. Universities UK is currently reflecting on the green paper and on the best method of assuring the quality of learning and teaching across all the nations of the UK.

A second issue of relevance to Scotland arising from the green paper is the Government's stated aim to 'simplify the research funding system' while maintaining the dual support system. In addition the green paper also contains proposals to reduce the burden and costs of the REF and states that the government will consider the recommendations of Sir Paul Nurse's review of the Research Councils.

The green paper is out for consultation until 16 January and I will update the Court on further developments at the February meeting.

Financial Sustainability

Current financial year (2015/16)

Our student intake figures from September 2015 have now been finalised. Although we have seen a positive increase of approximately £1.75m in year-on-year income from tuition fees, this still falls below the budget target we had set by just over £2m. Along with the impact of other variances, this shortfall in income meant that at the end of October (period 3 of the financial year) we were showing a year-end forecast deficit of £3.03m against our breakeven budget for 2015/16.

Since the extent of this shortfall became clear, we have been working intensively with Schools and Directorates to take action to recover the in-year budget position. Meetings with Schools are now complete and all except the

School of Life Sciences (where we are still in negotiation) have agreed savings against budget to compensate for income shortfalls. Furthermore, three Schools - Education & Social Work, Medicine and Nursing & Health Sciences - have agreed forecasts that will see them improve on their previously agreed budgets so as to assist in offsetting shortfalls in other areas. In total the Schools have to date committed £1.62m in cost savings, reducing the shortfall to around £1.4m.

Individual meetings with Professional Services Directorates are currently taking place, aimed at delivering targeted savings of 2-3% against budget, while protecting agreed investments in business transformation, information technology and external relations activity. Assuming these targets are achieved, we are confident that the total savings delivered by Schools and Directorates, along with ongoing general cost restraint in the normal course of business, will close any remaining gap over the second half of the financial year and enable us to achieve a breakeven out-turn. Currently, significant effort is being expended to maximise the student intake for Semester 2 entry, where we have budgeted for tuition fee income of £6.5m. Should this target not be achieved we would need to take further steps to protect the full-year position.

Financial Projections

The three-year financial projections seen by Court in June 2015 predicted the University moving into deficits of approaching £6m and £3m in 2016/17 and 2017/18 respectively before returning to a breakeven position. At the Court Retreat, management proposed a strategic approach aimed at using the University's new organisational and leadership arrangements to drive growth in unregulated income from teaching and research, obtain strategic research savings and deliver stringent cost control, with the aim of improving these projections such that a deficit of around £3m in 2016/17 would be followed by a breakeven budget in 2017/18 and a return to surpluses thereafter. We have been taking forward that strategy through the first round of planning meetings with Schools and Directorates in November and December and supporting it through the agreed strategic investments in External Relations, Educational Partnerships Development and Business Transformation.

Within this strategy, our modelling to date has identified that asking our Schools to achieve the higher of: (a) 2015/16 budget; or (b) best contribution from the last five years, could increase their overall total contribution by £3.7m. Requiring Schools that are currently in deficit under our new resource allocation model (which attributes all central costs to Schools) to take such actions as are necessary to ensure that they deliver a surplus would generate an improvement of £6.3m. A strategy that focused on a combination of bringing those Schools in deficit into surplus, and asking those in surplus to deliver the better of their 2015/16 budget or their best contribution over the last five years, would generate a total improvement of close to £7.1m.

Scottish Budget

However, our current projections were based on an estimate of a 'flat cash' settlement from the Scottish Government via the SFC. The recent UK Government Spending Review provided for a small cash increase in the Scottish Government budget over the period but, given the extent of protection guaranteed to areas such as the NHS, a 'flat cash' outcome now appears highly unrealistic.

The Deputy First Minister will announce the Scottish budget for 2016/17 and beyond on 16 December. At this stage it is hard to predict the level, depth and profile of any cuts and whether or not they will be front-loaded. In passing on cuts to institutions, the SFC would almost certainly look to reduce core funding for teaching by lowering the 'price' it pays per Scottish/EU student and for research through cutting the amount of money available for allocation through the Research Excellence Grant.

The UEG has been giving careful thought to how a further cut would impact on our existing strategy. Our sense is that any reduction beyond perhaps 3-4% would be very difficult to address within the approach agreed at the Court Retreat and that we would therefore have to revisit some of the more radical options around academic footprint and strategic alignment previously ruled out. We have been undertaking scenario planning for such an eventuality, but will only be able to work in detail on the actions we need to take when the full scale of any cuts in funding become known.

At the Court meeting I intend to give a short presentation providing further detail on our current work on financial sustainability/scenario planning to facilitate a debate on this key issue.

Leverhulme Award

The University of Dundee has been granted a £10 million award by the Leverhulme Trust to establish a Research Centre for Forensic Science aimed at shaping the future of the subject and ensuring it remains a vital component of the criminal justice system. Dundee is one of four UK universities – alongside Cambridge, Liverpool and Sheffield – to win one of the new Leverhulme Research Centre awards.

The ten year grant will run concurrently with a judicial primer project which will be led by Professor Sue Black and Professor Niamh NicDaeid, in partnership with the Royal Society, the Royal Society of Edinburgh and the Office of the Lord Chief Justice of England and Wales.

CAHID will also host the launch of the Government Office for Science's Annual Review which will focus on the future of forensic science.

These projects have placed Dundee at the forefront of international forensic science research and I am sure the Court would like to join with me in congratulating Professors Black and NicDaeid on this prestigious and substantial award.

Discovery Days

Finally, I would like to draw members' attention to the programme of Discovery Day Lectures on Thursday 14 and Friday 15 January 2016 outlined in annex d. This annual programme of presentations from our newest professors and award-winning teachers offers a fantastic glimpse of excellence across the University, and has in the past proved to be an event enjoyed by staff, students, Court members and the public. I hope to see many of you at the events.

Professor Sir Pete Downes
Principal & Vice-Chancellor

University Executive Group

Since the last report to the Court, the UEG have met on 7 October, 21 October, 4 November, 18 November and 2 December when the following issues were discussed:

Corporate Issues

- Future Strategy / Financial Sustainability
- External Relations Investment Bid
- Student Recruitment Targets
- Three Year Financial Outlook
- UEG Procurement Strategy
- USS Guidance on Annual and Lifetime Allowance

Academic Management Issues

- School of Humanities: Vision
- Enterprise & Entrepreneurship Action Plan
- Support of Syrian Refugees Proposal
- FutureLearn
- UK Government HE Green Paper
- China Trip

Human Resources Issues

- Staff survey
- Academic Vacancies
- Incentive Scheme
- Equality & Diversity.

Major Grants and Awards

Professor P R J Birch (Plant Sciences) £592,927.00 (£279,373.10 overhead) from Biotechnology & Biological Sciences Research Council for Undermining Effector-Targeted Susceptibility Factors to Provide Late Blight Resistance (Industrial Partnership application)

Dr J I B Bos (Plant Sciences) £360,477.00 (£151,644.00 overhead) from Biotechnology & Biological Sciences Research Council for Understanding the Functions of aphid Genes that are Genetically Associated with Avirulence and Virulence (Joint with Imperial College London)

Dr A J Brennan (Civil Engineering) £342,272.00 (£187,313.00 overhead) from Engineering & Physical Sciences Research Council for LOCORPS: Lowering the Costs of Railways using Performed Systems (Joint with Heriot-Watt University)

Professor H L Hundal (Cell Signalling & Immunology) £335,358.00 (£174,585.00 overhead) from Biotechnology & Biological Sciences Research Council for defining the Molecular Roles of Peripheral CB1 and CB2 Cannabinoid Receptors in Age-Induced Changes in energy and Metabolic Homeostasis (Joint with University of Aberdeen)

Dr J S C Arthur (Cell Signalling & Immunology) £283,528.00 (£108,010.00 overhead) from Medical Research Council for Development of Novel Jak3 Inhibitors for the Treatment of Autoimmunity (DPFS) (Joint with University of Glasgow and Harvard University)

Dr J George (Cardiovascular & Diabetes Medicine) £199,368 (£0.00 overhead) from British Heart Foundation for Vascular Effects of Smoking Usual Cigarettes Versus Electronic Cigarettes

Dr W Fuller (Division of Cardiovascular & Diabetes Medicine) £175,061.00 (£0.00 overhead) from British Heart Foundation for Cavins: Mobile Regulators of Adrenoceptor Signalling in the Cardiac Cell (Joint with University of Leeds)

Professor T MacDonald (Division of Cardiovascular & Diabetes Medicine) £163,286.00 (£32,240.00 overhead) from RTI Health Solutions for SPD555-802: Cohort study of the Relative Incidence of Major Cardiovascular Events Among Patients Indicating Prucalopride Versus a Matched Comparator Cohort.

Professor J S Rowan (Social Sciences Office) £135,981.00 (£0.00 overhead) from Scottish Funding Council (SFC) for Hydro Nation Scholars Programme PhD – ‘Supporting Better Decisions Across the Nexus of Water-Energy-Food Challenges (Joint with James Hutton Institute)

People & Prizes

Nursing graduate Phelim Garrett-Hanna has been named this year's winner of the University's Wimberley Award, given to the student who has made the most distinguished contribution to University life.

The University hosted the World Cultural Council Annual Award Ceremony as part of its Winter Graduation celebrations. The Albert Einstein World Award of Science was presented to Professor Ewine Fleur van Dishoeck of the Leiden Observatory in the Netherlands and the Leonard da Vinci World Award of Arts was awarded to Professor Milton Masciadri of the University of Georgia.

The Life & Biomedical Sciences Education Student Awards selected thirty-six students to be given prizes for their hard work over the last academic year in 'The Street' at the Discovery Centre, School of Life Sciences, on Thursday 12 November. The top prize winners this year were Jennifer wood and Fiona Plain.

Dr Yogesh Kulathu and Dr Robert Ryan, both based in the School of Life Sciences at the University were named as EMBO Young Investigators.

Discovery Day Programme

You are welcome to come along to as many sessions as you choose.

Thursday 14 January 2016

COFFEE • 1.30 - 2.00PM

SESSION 1 • 2.00 - 3.10PM

Wendy Alexander • Taking Dundee to the World

Fordyce Davidson • Mathematics - The Framework of Life

Marline van IJersum • Hands-On History: The Role of Feedback in Teaching

COFFEE • 3.10 - 3.30PM

SESSION 2 • 3.30 - 4.40PM

Nic Beech • Towards a Culture of Collaborative Advantage

Tim Croudace • Patients, the Public and Health Psychometrics

Teresa Moran • Disco Ut Doceam - Learn in Order to Teach



www.dundee.ac.uk/discoverydays

Friday 15 January 2016

COFFEE • 9.30 - 10.00AM

SESSION 3 • 10.00 - 11.10AM

Karl Leydecker • Learning and Teaching: Recent Successes and Future Plans

Maurice van Steensel • Discovering New Treatments for Skin Disorders

Nicola Innes • Something to Smile About - Dentistry Without Needles or Drills!

COFFEE • 11.10 - 11.30AM

SESSION 4 • 11.30AM - 12.50PM

Russell Petty • Developing New Medicines for Cancer: The Importance of Being Precise

Nicola Long • Healthy Body, Healthy Mind

Stuart Cross • Wigs or Algorithms: Legal Education at a Crossroads

IOEM team 2015 • CSI Dundee: New Forensics

LUNCH • 12.50 - 1.30PM

SESSION 5 • 1.30 - 2.40PM

Tim Newman • The Prescient Research Culture of our University

Janeeth Warden-Fernandez • Teaching Beyond Boundaries: A Transnational Approach

Robert Keatch • Engineering the Future

COFFEE • 2.40 - 3.00PM

SESSION 6 • 3.00 - 4.20PM

Gordon Simpson • Genes - What is the Message?

Tracey Wilkinson • Student Learning - What's Important?

Presentation of the Stephen Fry Award for Excellence in Public Engagement with Research



APPENDIX 2

FINANCE & POLICY COMMITTEE (Minute 23)

A meeting of the Committee was held on 16 November 2015.

Present: Mr KA Richmond (Convener), Principal Professor Sir Peter Downes, Deputy Principal Professor SM Black, Mr IC Howie, Mr T Hustler (DUSA President), Ms J Marshall, Mr EF Sanderson and Professor M Scott.

In Attendance: University Secretary; Vice-Principal Professor K Leydecker; Director of Academic & Corporate Governance; Director of Campus Services; Director of Finance; DUSA Finance & Business Support Manager (Minutes 9 & 10) and Policy Officer (Corporate Governance).

Apologies: Mr R Bowie, Mr J Elliot and Director of Strategic Planning.

1. MINUTES

Resolved: to approve the minutes of the meeting of 5 October 2015.

2. MATTERS ARISING

(1) Graham Pelton Report (Minute 2)

The Committee were informed that the Head of Development would provide an update at the next meeting.

Resolved: to note the update.

(2) Reporting Use of Delegated Authority (Minute 4)

The Committee were informed that officers were considering how to present this report and would update the Committee in due course.

Resolved: to note the update.

(3) DDU / CURE Update (Minute 8)

The Committee received an update from the University Secretary in relation to the CURE Fund. The Committee heard that conversations were ongoing and that discussions to date had been positive. The Committee noted that a full update would be provided at the next meeting by the Director of Research & Innovation Services.

Resolved: to note the update.

(4) Credit Facility Update (Minute 10)

The Director of Finance provided an update in relation to the acquisition of a new credit facility. In doing so he informed the Committee that six banks had been approached to tender for a £50m facility and five had responded. The Committee heard that a process of detailed negotiation would now commence with two banks and that the Director of Finance would provide an update at the next meeting.

Resolved: to note the update.

(5) Treasury Annual Report (Minute 11)

The Director of Finance proposed that cash deposits held by RBS be measured on a monthly average basis which would provide a more accurate benchmark for the purposes of the Treasury Policy.

- Resolved:** (i) to approve the Director of Finance's proposal regarding measuring cash deposits in line with the Treasury Policy;
- (ii) to note the update.

3. COMMITTEE REMIT & TERMS OF REFERENCE

The Director of Academic & Corporate Governance introduced a revised Committee remit (annex) which incorporated the suggestions made at the meeting on 5 October 2015. Members made a number of minor suggestions to further refine the remit and terms of reference, in particular the inclusion of the Committee's role in the oversight of significant capital and spending programmes.

With regards to the Committee's membership, it was confirmed that the President of DUSA would be considered a member *ex officio* and that the University Executive Group would make a recommendation to the Governance & Nominations Committee regarding the attendance of appropriate Vice-Principals at Court Committee meetings, including the Finance & Policy Committee.

- Resolved:** (i) to await an update on the attendance of appropriate Vice-Principals at future meetings of the Committee; and
- (ii) subject to minor changes, to recommend to the Court the revised Remit & Terms of Reference.

4. FINANCIAL REVIEW OF THE YEAR ENDED 31 JULY 2015

The Director of Finance presented a financial review of the year ended 31 July 2015. The Committee carefully considered the data presented in each of the following categories: overall financial results, tuition fee income, staff costs, research, the balance sheet, forecasting accuracy and comparative data with benchmarked universities.

The Committee discussed the following aspects in detail: the 10 year summary of underlying financial performance; the Research Development Expenditure Credit claim; and the total staff costs of the University. Some members inquired as to why the overall staffing complement of the university had not decreased during the previous year given the recent voluntary severance schemes. In response, the Committee was informed that 2013 was a peak year for the award of research contracts and that a significant number of those contracts would have been for 3-5 years; and in addition a number of staff leaving under voluntary severance would have done so after the reporting date. The Committee therefore noted that it would expect the current staffing complement to be lower than reported in the review and to continue to decrease as contracts expired.

Members also noted that the assumptions used to value the University of Dundee Superannuation Scheme (UoDSS) had increased the scheme's deficit from £34.1m to £47.8m.

The Committee considered the performance of Dundee Student Villages Ltd. In light of the University's stated aim of increasing international student recruitment the Committee asked the University Executive Group (UEG) to consider whether the university had sufficient student accommodation to meet its future needs.

The Principal was asked by the Convener to give a short update on the external policy environment which may affect the University's financial position and alter the 3-Year Projections submitted to the Scottish Funding Council (SFC) in July. In doing so, the Principal informed members that the UK Government's Comprehensive Spending Review would be published on 25 November and a Scottish Government budget would be presented on 16 December. In both cases it was considered likely that public funding to higher education may be reduced.

The Principal informed members that discussions were ongoing with the Scottish Government to highlight the contribution of universities to the Scottish economy. Members also noted that a Universities Scotland Working Group would be established to coordinate the sector's response to the December budget.

- Resolved:** (i) to await an update from the UEG on the issue of student accommodation; and
- (ii) to note the review of the Financial Year 2014/15.

5. FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015

The Director of Finance presented the draft Financial Statements for 2014/15. In doing so he highlighted changes to the format, including a Chairman's statement, and the way in which some figures were presented. The Director confirmed that the Financial Statements and management letter from the external auditors would be considered by the Audit Committee at its meeting on 30 November 2015.

The operating deficit for 2014/15 was £0.9m with an overall surplus for the year of £3.7m once restructuring costs and the Research Development Expenditure Credits (RDEC) claim were taken into account. Income from the Scottish Funding Council (SFC) was broadly neutral having increased by 1.3% to £88.7m, while income from tuition fees and education contracts rose by 8.8% to £44.5m. Research grants and contracts increased by 4.3% to £82.4m including receipt of the RDEC credit of £10.3m. Excluding the RDEC claim, underlying research income declined by 8.8%. Total expenditure before taxation increased by 1% to £248.5m with staff costs increasing by £0.6m (0.4%), other operating expenses decreasing by 1.1% to £85.7m and depreciation increasing by £2.6m (although this was offset by the release of £2.2m from deferred capital grants). The University's cash position remained favourable despite the total cash at year end decreasing by £15.5m to £17.2m. Future commitments represented by net current liabilities amounted to £29.4m. Turning to the balance sheet, the Committee noted that the total net assets for the group, including pension liability had decreased from £170m to £162m.

Resolved: for its part, to recommend that the Court approve the accounts for the year ended 31 July 2015.

6. FINANCIAL SUSTAINABILITY REPORT

The Committee considered a performance indicator report relating to the Financial Sustainability enabling strategy. The report summarised progress over time against targets and benchmarked comparator institutions for each of the nine performance indicators as follows: Percentage Operating Surplus, Deviation of cash forecasts from actual year-end outturn, Deviation of forecasts of financial surplus from actual year-end outturn, Income per Academic, SASS Costs as a percentage of total income, Net Current Assets/Liabilities, Bank Facilities Available in the Medium Term, and TRAC Surplus/Deficit.

Members noted that the data within the report reflected the data considered earlier in the agenda within the Financial Review of the Year and the Annual Financial Statements. The Committee noted that the accuracy of forecasts had improved significantly, which would ensure a clearer understanding of the University's true financial position. Members inquired about the policies in place to govern research applications in the context of helping secure the University's financial sustainability. The Committee requested that the Vice-Principal (Research, Knowledge Exchange & Wider Impact) present a paper on this topic at a future meeting.

Members also noted that the report confirmed that the University had underperformed relative to its comparator group and that financial results had deteriorated during 2013/14 and 2014/15.

Resolved: (i) to request the Vice-Principal (Research, Knowledge Exchange & Wider Impact) present a paper to the Committee on the University's policies relating to research grant applications in the context of securing financial sustainability;

(ii) to note the report.

7. MANAGEMENT ACCOUNTS – PERIODS 2 & 3.

The Committee received the management accounts for the period to end of September 2015 including reports on income and expenditure, capital expenditure, cash flow, balance sheets, treasury reports, and exchange rate trends.

The Director of Finance also tabled the management accounts for the period to end of October 2015. Members noted that the accounts showed a deficit of £640k – a negative variance of £309k relative to the budget. The year-end forecast was currently for a deficit of £3.5m before Voluntary Severance/Redundancy and gain on disposals.

It was reported that the September student intake figures had been finalised in October and although there had been a positive increase in year on year income from that source of approximately £1.75m, final recruitment had fallen short of budget by more than £2m. Members noted that future management accounts would include actions agreed with the Schools and Directorates to mitigate the recruitment shortfall and aim protect the delivery of the planned budget outturn of a small surplus for the year.

The Director of Finance informed the Committee that the cash flow projections indicated that the University would not require the credit facility (Item 2 (3)) for a period of 15-18 months.

In light of the discussions related to the external policy environment and the possible reduction of core funding, the Committee requested that the Director of Finance prepare a revised 3 Year Forecast that incorporated any announcements made in the Scottish Government's December budget.

- Resolved:**
- (i) to ask the Director of Finance to prepare a revised 3 Year Forecast for the Committee to consider at its next meeting; and
 - (ii) to note the accounts.

8. BUSINESS TRANSFORMATION UPDATE

The Committee considered a paper from the Director of Business Transformation which detailed the progress to date and the programme schedule and reminded members of the savings envisaged within the business plan.

Members noted that current activity was focussed on the Public Sector Competitive Dialogue Procurement process and that three vendors were scheduled to be taken through to the final tender process which should conclude in May 2016. Outline written submissions had been received from the potential vendors and were under evaluation to determine their relative strengths and weaknesses.

The Committee noted that the integrated business system would be implemented in two distinct phases, with Finance, Payroll / Pensions, HR and Research expected to launch in August 2017 and Student Records in August 2019. In response to questions the University Secretary confirmed that the current student records system, SITS, would be maintained and supported until the replacement system was ready to launch.

Members highlighted the need to ensure that there was significant corporate support and 'buy-in' for the programme at all levels of the organisation. Members of the University Executive Group agreed that ownership of the project was a critical issue and to that end the University Secretary, along with the Directors of Business Transformation and IT, would undertake a series of events with staff early in 2016.

The Committee also received and considered the minutes of meeting of the Integrated Business Solution Governance Board held on 6 October 2015 and an updated risk register for the project. Members noted that the next meeting of the Governance Board would be held on 15 December 2015.

- Resolved:**
- (i) to note the minutes of the Integrated Business Solution Governance Board;
 - (ii) to note the update.

9. DUNDEE UNIVERSITY STUDENTS' ASSOCIATION ACCOUNTS 2014/15

The Committee received a draft statement of financial accounts for 2014/15. Members noted that DUSA had carefully managed its costs and margins to achieve a surplus of £105k against a budgeted surplus of £10k and a surplus in 2013/14 of £148k.

Members noted that the contribution from trading towards funding DUSA's charitable activities had decreased from £352k to £248k. In response to questions, DUSA's Finance & Business Support Manager indicated that this was primarily a result of a decline in night-time trading owing to a shift in student behaviour.

The Committee noted that DUSA would fully repay the development loan, for which the University is guarantor, in December 2015.

- Resolved:** for its part, to note the accounts.

10. DUNDEE UNIVERSITY STUDENTS' ASSOCIATION – FINANCIAL SUSTAINABILITY

The Committee received a paper from the President and Finance & Business Support Manager on behalf of DUSA's Board of Trustees. The Committee was informed that the introduction of the National Living Wage in April 2016 would have a significant impact on staff costs. The Committee considered forecasts which indicated that, without further action, the introduction of the National Living Wage and the downturn in trading activity would see DUSA become insolvent in 2019/2020.

Members inquired if DUSA's management had considered price increases to help meet the extra costs imposed by the National Living Wage, as such increases were likely to be one of the responses DUSA's competitors had to make. In response DUSA's representatives indicated that price increases were under active consideration but in their opinion further action would still be necessary.

The Committee noted that the University Secretary and Director of Finance met regularly with DUSA to discuss commercial matters and asked that these continue with an update to be provided at a future meeting.

Resolved: (i) to ask the University Secretary, Director of Finance and DUSA President to continue discussions aimed at securing financial sustainability for DUSA; and
(ii) to note the update.

11. ESTATES BUSINESS – ENERGY UPDATE

The Committee considered a paper from the Director of Campus Services which focussed on initiatives to reduce the University's carbon footprint. Members noted that energy performance data was now assessed on a building by building basis which had resulted in several notable interventions and the subsequent delivery of reductions in some high usage areas.

The Committee also noted that £686k of energy efficient lighting projects had been completed which had been financed by an interest free loan from Salix. This project would contribute recurrent savings of circa £100k pa.

Turning to future requirements, the Director informed the Committee that investment would be required in the near future to replace the district heating system infrastructure and three of the combined heat and power engines. Members noted that Estates & Buildings were currently undertaking an options appraisal on how best to fund these projects, which would include sourcing external funding from the Energy Carbon Fund and Scottish Futures Trust.

Resolved: to note the update.

12. SUBSIDIARIES' & ASSOCIATE COMPANIES' ACCOUNTS 2014/15

The Committee received a report summarising the financial results of the University's subsidiary companies for the year 2014/15.

Resolved: to note the report.

Remit, Terms of Reference and Delegated Powers

Remit

- To advise the Court on any matter pertaining to the finances, the financial health and the operational performance of the University;
- To set the financial parameters within which the University operates in light of government policies on higher education and public spending, the resource allocation policies of the SFC and the main research funders;
- To approve financial forecasts;
- To approve annual budgets and to monitor performance against those budgets using relevant performance indicators;
- To review draft strategic planning documents and to consider their resource implications;
- To approve the allocation of resources to support University strategies and plans;
- To approve projects involving major capital expenditure within the terms of the Schedule of Delegation and to ensure that appropriate oversight is provided on such projects;
- To approve and monitor the Estates Strategy and associated key performance indicators;
- To review and, where appropriate, contribute to the development of policies and procedures which affect the Committee's ability to carry out its role as set out above.

Membership

Quorum is set at 50% of total membership which must include at least two lay members and one elected member.

The President of DUSA shall be considered a member *ex officio*.

The Convener of the Audit Committee may attend meetings and a reciprocal right of attendance is granted to the Convener of the Finance & Policy Committee to attend meetings of the Audit Committee.

Each meeting of the Committee shall normally be attended by the University Secretary, the Vice-Principal (Learning & Teaching) and the Directors of Academic & Corporate Governance; Campus Services; Finance; and Strategic Planning.

Proceedings

The Committee shall usually meet five times per session and shall report, through the submission of minutes of each meeting, to the next meeting of the Court.

The Committee's secretary shall normally be the Policy Officer (Corporate Governance) & Clerk to Court.

Terms of Reference

1. The Committee is responsible for advising the Court on the financial strategy and financial health of the University. It shall receive regular reports from the Director of Finance on these matters and at its discretion will recommend actions to the Court;
2. The Committee will consider the projections proposed by the Director of Finance and other officers in relation to revenue and capital budgets and will make recommendations on these to the Court.
3. The Director of Finance shall present regular in-year information to the Committee relating to performance compared with budgets and the University's financial outlook. The Committee may seek further information before making recommendations to the Court.
4. The Committee shall receive regular information and reports on the financial policies and procedures of the University, its subsidiaries and activities delegated to groups and other committees. It may seek changes and/or recommend to the Court that the above policies and procedures be amended as it thinks fit.
5. The Committee may, at its discretion, seek explanations on behalf of the Court from officers and budget holders of the University on all matters relating to financial probity and control.

6. The Committee shall consider draft strategic plans and operational policies out-with the provisions listed before recommending such documents to the Court.
7. The Committee shall be charged with the consideration and oversight of issues pertaining to the Estates Strategy and maintenance of the campus infrastructure. The Committee shall monitor progress towards meeting key performance indicators aligned to the Estates strategy.
8. The Committee shall receive regular updates from Admissions & Student Recruitment Services on recruitment figures.
9. The Committee, in consultation with senior officers, is responsible for ensuring that the University complies with all relevant accounting regulations and recommended practice and that its annual financial statements have been prepared in accordance with such regulations. It is also responsible for advising the Court on adherence to terms and conditions laid down by the Scottish Funding Council and other grant awarding bodies (including Financial Memoranda issued by the Scottish Funding Council).

Delegated Powers

- To approve business plans for projects involving non-capital spend with a projected annual value of more than £500,000;
- To approve non-research-related contracts or amendments/cancellation of contracts with a value of more than £750,000;
- To approve applications to external funding bodies for capital projects where a commitment to a financial contribution on the part of the University of more than £1m is included;
- To approve Financial Regulations;
- To approve guidelines for University investments;
- To approve the winding up of subsidiary, spin out and associated companies;
- To recommend to Court proposed changes to Accounting Policies.

APPENDIX 3

AUDIT COMMITTEE (Minute 24(1))

A meeting of the Committee was held on 30 November 2015.

Present: Mr J Elliot (Convener), Mr R Bint, Dr WGC Boyd, and Ms SS Morrison-Low.

In Attendance: Mr KA Richmond; University Secretary; Director of Academic & Corporate Governance; Director of Finance; Mr C Brown (Scott- Moncrieff); Ms K McFarland (Pricewaterhouse Coopers (PwC)); Mr R McKenzie (Scott-Moncrieff); Mr D Porter (PwC BT Project Adviser); Ms L Paterson (PwC); Mr M Timar (PwC) and Policy Officer (Corporate Governance).

Apologies: Ms B Malone.

1. MINUTES

Resolved: to approve the minutes of the meeting of 22 September 2015.

2. MATTERS ARISING

(1) Business Transformation Update (Minute 2(1))

The Committee considered a paper from the Director of Business Transformation detailing the project's revised governance procedures. Members noted that the points raised at during the Committee's meeting in September had been incorporated into the new version.

The Committee also received a paper from the Director which detailed the progress to date and the programme schedule.

Members noted that current activity was focussed on the Public Sector Competitive Dialogue Procurement process and that three vendors were scheduled to be taken through to the end of the tender process in May 2016. Outline written submissions had been received from the potential vendors and were under evaluation to determine their relative strengths and weaknesses.

The Committee noted that the integrated business system would be implemented in two distinct phases, with Finance, Payroll / Pensions, HR and Research expected to launch in August 2017 and Student Records in August 2019. In response to questions the University Secretary confirmed that the current student records system, SITS, would be maintained and supported through to the point at which a decision as to whether or not to implement a replacement student management system was made.

Members highlighted the need to ensure that there was significant corporate support and 'buy-in' for the programme at all levels of the organisation. Members of the University Executive Group agreed that ownership of the project was a critical issue, highlighted the considerable work done to date in that regard and reported that the University Secretary, along with the Directors of Business Transformation and IT, would be undertaking a series of events with staff early in 2016.

The Committee also heard from the PwC consultants to the Business Transformation Project. In providing an update the consultants informed the Committee that in their opinion the project was progressing well and that all the key risks had been identified and included in the risk register.

As the result of a meeting with the University Secretary, Director of Finance, Director of IT and Director of Business Transformation the internal auditors, Scott-Moncrieff, provided a paper outlining three areas for the allocation of internal audit resources to support the Business Transformation project.

The Committee noted that it was proposed to allocate 12 days for project assurance in the 2015/16 Audit Plan. In the discussion which followed members suggested that it may be necessary to increase this allocation in order to include all the key risk areas in view of the critical nature of the project in improving the financial performance of the University and the inherent risks involved in

a project of the scale. The University Secretary undertook to discuss the issue further with Scott-Moncrieff and to report at the next meeting.

The Committee also received, for information, the minutes of meeting of the Integrated Business Solution Governance Board held on 6 October 2015. Members noted that the next meeting of the Governance Board would be held on 15 December 2015.

- Resolved:**
- (i) to await an update from the University Secretary in relation to the proposed internal audit work to support the Business Transformation project;
 - (ii) to note the update.

(2) International Partnerships (Minute 2(2))

The Committee received an update from Dr Rob Ford, Head of the Educational Partnerships Development Unit. Dr Ford informed the Committee that the Unit had been established on 1 August and since that date had undertaken a review of all existing international partnerships.

Members heard that an Operational Plan for the Unit which would detail the unit's objectives would be submitted for approval to the Internationalisation Committee in December. Members noted that the Operational Plan would address all of the recommendations from the March 2015 audit of international partnerships.

In response to questions regarding the risk associated with international partnerships, Dr Ford informed the Committee that in his view sufficient controls were currently in place to safeguard the University's reputation. These included: performing due diligence on all potential partners; ensuring that the University is not over-exposed in any one geographical area; and the rejection of any partnership which would not enhance the University's reputation or which was financially unsustainable.

Members asked that Dr Ford present the unit's Operational Plan and detail the specific measures in place to mitigate risks associated with international partnerships.

- Resolved:**
- (i) to consider the Operational Plan of the Educational Partnerships Development Unit at the next meeting;
 - (ii) to note the update.

(3) Risk Management: Business Continuity Planning (Minute 2(4))

The Committee received an update from the Director of Academic & Corporate Governance. The Committee noted that work was underway to find a replacement for the Business Continuity Planning sponsor and that an update would be provided at the next meeting.

- Resolved:**
- (i) to await an update at the next meeting;
 - (ii) to note the update.

(4) Follow-Up Report 2014/15 (Minute 6(3))

The Committee received a paper detailing the progress towards implementation of outstanding internal audit recommendations. Members noted that of the 30 recommendations which had been provisionally classified as closed in the September report had all now been evaluated as complete. In addition, a further 16 recommendations had been signed off as complete and that 17 recommendations from audits in 2014/15 would remain open until the completion of the Business Transformation Project.

The Committee noted that a further follow-up report would be provided at the next meeting in March. Members asked officers to consider a change of terminology from in progress to overdue where applicable.

- Resolved:** to note the update.

(5) Internal Audit Plan 2015/16 (Minute 6(5))

The University Secretary updated the Committee in relation to the Internal Audit Plan 2015/16. In doing so, members noted that the emphasis of the School Reviews scheduled for 2015/16 would be on schools which had merged during the recent restructure. More generally, the auditors would be asked to consider the processes underpinning operational planning and budget setting which will be critical in eliminating deficits on a School by School basis.

The University Secretary informed the Committee that the budget setting for 2016/17 had already commenced and that the Vice-Principal (Academic Planning & Performance) would provide an update on the planning and budgeting process at the next meeting.

Members also noted that the plan would be updated to reflect the discussion under Minute 2 (1) and the requirement to provide assurance for the Business Transformation Project.

Resolved: (i) to await an update at the next meeting from the Vice-Principal (Academic Planning & Performance) on the planning and budget setting process;

(ii) to note the update.

(6) Whistleblowing Policy (Minute 7)

The University Secretary informed members that the Director of Legal had revised the policy incorporating the Committee's comments from the last meeting and was out for consultation with the campus unions. The Committee noted that a revised policy would be presented for consideration at the next meeting.

Resolved: to note the update.

3. **CONVENER'S REPORT**

The Committee noted that the Convener had met with both the internal and external auditors since the last meeting and that no issues were raised which were not covered elsewhere on the agenda.

Resolved: to note the update.

4. **FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 JULY 2015**(1) Review of Financial Year & Review of Going Concern

The Director of Finance presented a financial review of the year ended 31 July 2015. The Committee carefully considered the data presented in each of the following categories: overall financial results, tuition fee income, staff costs, research, the balance sheet, forecasting accuracy and comparative data with benchmarked universities.

The Committee also considered the basis for the University being considered a 'going concern'. Members noted that in deciding whether the University could be considered a going-concern projected finances for a period of at least 12 months after the accounts were signed should be considered.

The Committee noted the financial projections indicated that the University would enter a deficit in 2016/17 and although the cash position would decline over the coming 12 months there would be sufficient cash balances to support the conclusion that the University should be considered a going concern.

The Director of Finance also updated the Committee in relation to the acquisition of a new credit facility. In doing so members noted that six banks had been approached to tender for a £50m facility and five had responded. The Committee heard that a process of detailed negotiation would now commence with two banks and that a new facility would be in place by mid-January.

Resolved: for its part, to advise the Court that the University should be considered a going concern.

(2) External Auditors' Report to those Charged with Governance

The External Auditor presented their report to the Committee. In introducing the report, the Auditor told the Committee that PwC had completed their audit work and that there were no major issues to bring to the attention of the Committee. As such, the Auditor expected to issue an unmodified opinion.

In outlining the report the Auditor drew the Committee's attention to their findings in relation to the financial sustainability of the University where they had reviewed the University's budget forecast, year on year movements, and forecasting accuracy and concluded that the adoption of the going concern assumption in the preparation of the University's financial statements remained appropriate.

The Auditor highlighted the University's claim for the Research & Development Expenditure Credit (RDEC) which amounted to a total gross income of £10.3m. With regards to accounting treatment, the Auditor explained that a consistent approach had not been adopted across the sector. Members noted that the University had taken the decision to account for the income and taxation charge (£2m) as exceptional items in the financial statements and that the Auditor agreed with this approach as it would allow for transparency of the underlying financial performance of the University during the year.

The Auditor also highlighted pension liabilities, confirming that they were satisfied that the assumptions adopted by the University were reasonable.

The Committee also noted that the Auditors had considered the possibility of fraud in revenue recognition and management override of controls and that no issues were noted as a result of the testing procedures carried out.

The Auditor went on to highlight one control point recommendation relating to improving practice in severance arrangements in order to fully comply with the requirements of the Financial Memorandum from the SFC, and members noted that this recommendations had been accepted by management and already featured in the Remuneration Committee's work plan for the year.

The Auditor also highlighted a summary of uncorrected misstatements and members noted that in line with requirements these were referenced in the proposed letter of representation from the governing body. The auditors confirmed that accounts complied with the relevant statement of recommended accounting practices, with the Scottish Funding Council's Accounts Direction and Financial Memorandum.

The Committee also noted that the draft letter of representation was included within the report.

Resolved: to thank the auditor for the report and to approve the letter of representation.

(3) Draft Financial Statements

The Committee discussed the draft statements for the period to 31 July 2015. Members made a number of suggestions for amendments to the report and the Convener asked that any comments be forwarded to the Director of Finance by 3 December 2015.

Resolved: having received the report of the external auditors and considered the points made therein, to recommend to Court that it approve the statements at its meeting on 14 December 2015.

5. **FINANCIAL STATEMENTS OF SUBSIDIARY AND ASSOCIATED COMPANIES**

The Committee considered the accounts for the year ended 31 July 2015 for:

- (1) Dundee University Incubator Ltd
- (2) Dundee University Project Management Ltd
- (3) Dundee University Utility Supply Company Ltd
- (4) University of Dundee Nursery Ltd

Resolved: to note the subsidiary and associate companies' accounts.

6. ANTI-BRIBERY POLICY STATEMENT

As part of the regular review of existing policies, the Committee considered the Anti-Bribery Policy Statement (annex). Members considered the policy fit for purpose and recommended the policy to the Court for approval, subject to some minor amendments.

Resolved: to endorse the Anti-Bribery Policy Statement to Court for re-approval.

7. INTERNAL AUDIT UPDATE

The Committee considered a paper from the internal auditors, Scott-Moncrieff, detailing progress to date on the 2015/16 Internal Audit Plan. Members noted that the 2015/16 programme was on track for delivery and that three reviews were currently underway.

Resolved: to note the update.

8. RESERVED BUSINESS: EU INVESTIGATION UPDATE

The Committee considered a letter from the Director of the EU Executive Research Agency and noted that the University Secretary would be attending a meeting in Brussels on 16 December.

Resolved: to note the update.

9. RESERVED BUSINESS: LEGAL MATTERS

The Committee received a routine report detailing the current legal cases involving the University, including updates since its last meeting.

Resolved: to note the update.

10. PRIVATE MEETING WITH AUDITORS

The officers withdrew from the meeting at this point so that the Committee could speak in private with the external and internal auditors.

The external auditor commented that, notwithstanding the going concern confirmation in respect of the 2014/15 financial statements, the financial trends are unfavourable and radical change will be needed to avoid the large deficits that have been projected for future years. He advised that, in his view, despite substantial spending on voluntary severance schemes over recent years these have not generated significant ongoing staff cost savings; and that it was vital that actual cost savings should be tracked against plan to ensure that costs were eliminated rather than displaced. Equally, returns on any investments in new staff required to be tracked and monitored.

The external auditor emphasised the risks associated with the business transformation programme and associated need for close attention from senior management, the Audit Committee and Court in order to ensure it delivers the intended benefits. He drew attention to the poor track record of such projects in other organisations, which illustrated their difficulty. Some key considerations he highlighted as requiring to be considered included: (a) the need for high-quality project planning; (b) organisation readiness for cultural and systems changes; and (c) the quality and cleanliness of the data to be migrated to new systems.

On behalf of the Committee the Convener thanked the external auditors for their work during the course of their contract.

11. PRIVATE MEETING WITH OFFICERS

The auditors withdrew from the meeting so that the Committee could speak in private with the officers. The Committee noted that both the external and internal audit contracts were due for renewal. The Director of Finance provided an update on the tender process which would commence in January.

The Convener also informed members that he would be meeting with a potential new member of the Committee. Members also noted that if the individual was willing to be considered an interview process would be conducted by the Governance & Nominations Committee.

12. ANNUAL REPORT OF THE COMMITTEE

The Committee considered a draft of its annual report to Court. It was noted that his document would also be submitted to the Scottish Funding Council. Members recommended the draft report to the Court, subject to minor amendments.

Resolved: to approve the report, subject to minor amendments, for submission to the Court and the Scottish Funding Council.

Anti-Bribery Policy Statement

1. Precepts

- 1.1 The University of Dundee requires its staff at all times to conduct themselves in accordance with the principles identified by the Committee on Standards in Public Life, which are: integrity, objectivity, accountability, openness, honesty and leadership.
- 1.2 The University expects its staff to act honestly and with integrity to safeguard the resources for which they are responsible.
- 1.3 The University is committed to ensuring that its business is conducted in an open and transparent manner and it will take all appropriate steps to address the risks of bribery.
- 1.4 The University condemns all acts of bribery or corruption; any cases brought to its attention will be investigated exhaustively and dealt with appropriately.
- 1.5 The University is committed to the highest international standards of integrity and to ensuring it adheres to and promotes best practice in bribery prevention.

2. Definition & Scope

- 2.1 Bribery is commonly described as the offer or acceptance of a reward to persuade another to act dishonestly and or in breach of the law.
- 2.2 It includes the offering, promising, giving, receiving or soliciting of a financial, academic or other advantage or favour as a means to influence the actions of an individual (or individuals).
- 2.3 The Bribery Act 2010 provides for 4 bribery offences:
 - Bribing: offering, promising or giving an advantage;
 - Being bribed: requesting, agreeing to or accepting an advantage;
 - Bribing a foreign official;
 - Failing as an organisation to prevent any person who performs services on its behalf from committing an act of bribery.
- 2.4 The University will work at the highest level to adopt and adhere to the six principles of bribery prevention outlined in the Government's guidance¹, and will set out clear anti bribery procedures for its staff and students and for those persons who represent the University.
- 2.5 The University has in place a robust Public Interest Disclosure (whistleblowing) policy to enable concerns to be brought to its attention².

3. Responsibilities

- 3.1 The University is responsible for issuing relevant procedures for the prevention, detection, reporting and handling of bribery and for making all relevant persons aware of the necessity of complying with this policy.
- 3.2 The Audit Committee has a general responsibility for monitoring the operation and effectiveness of anti-bribery arrangements and should receive appropriate reports on any bribery activity.
- 3.3 Each member of staff or student or other person who performs a service or otherwise represents the University is responsible for:

¹ *Consultation on guidance about commercial organisations preventing bribery*, Ministry of Justice Consultation Paper CP11/10, 14 September 2010 (accessed 28 February 2011 at <http://www.justice.gov.uk/consultations/docs/bribery-act-guidance-consultation1.pdf>)

² *Public Interest Disclosure (Whistleblowing)*, March 1999 <http://www.somis.dundee.ac.uk/court/policy/whistle.htm>

- acting with propriety at all times and in particular in the use of official resources and the handling and use of public funds;
- being alert to the possibility that unusual events, behaviours or transactions could be an indication of bribery;
- reporting details immediately through the appropriate channel if they suspect bribery is taking or has taken place;
- cooperating fully with whomever is conducting internal checks, reviews or investigations.

4. Applicability

- 4.1 This Policy extends to all of the University's activities and operations and to all of its dealings and negotiations with third parties in all countries in which its staff, students, subsidiaries, agents, partners and associates operate.
- 4.2 All employees and students and all individuals working on behalf of, under contract from or in collaboration with any part of the University or with any of its employees or students are required to comply with this Policy.

5. Action in the Event of Bribery

- 5.1 All cases of actual or suspected bribery will be vigorously and promptly investigated and appropriate action will be taken. The police will be informed where considered appropriate.
- 5.2 In addition, disciplinary action will be considered, not only against those members of staff found to have perpetrated bribery, but also against managers whose negligence is held to have facilitated or condoned an act of bribery. Both categories can be held to constitute gross misconduct, the penalty for which may include summary dismissal.

APPENDIX 4

**AUDIT COMMITTEE: ANNUAL REPORT 2014/15
(Minute 24(2))**

1. MEMBERSHIP AND MEETINGS

The Committee meets four times *per annum*, and the meetings for the year 2014/15 took place as follows: 23 September 2014, 1 December 2014, 3 March 2015 and 20 May 2015.

Attendance by members was as follows:

		Sept.	Dec.	March	May
Jo Elliot (Convener)	Court member	Y	Y	Y	Y
Richard Bint	Court member	Y	Y	Y	Y
William Boyd	Court member	Y	Y	Y	Y
Bernadette Malone	Court member	N	N	Y	N
Sandra Morrison-Low	Co-opted	Y	Y	Y	N
Ian Stewart	Co-opted	Y	Y	Y	Y
Andrew Richmond	In Attendance	N	Y	Y	Y

Additionally, the Convener of the Finance & Policy Committee, Mr Andrew Richmond, was in regular attendance at meetings of the Audit Committee in 2014/15.

The University Secretary, Director of Finance and Director of Policy, Governance & Legal Affairs also attended meetings on a regular basis. All Committee meetings are attended by representatives of the Internal Auditors (Scott-Moncrieff) and External Auditors (PricewaterhouseCoopers LLP (PwC)).

2. FINANCIAL STATEMENTS

Year ended 31 July 2015

The Committee received draft financial statements for the University for the year ended 31 July 2015 at its meeting on 30 November 2015, following their consideration by the Finance & Policy Committee at its meeting on 16 November 2015. The Committee also received a report from the external auditors, PwC. PwC were formally appointed for the provision of external audit services for the financial years 2010-11 to 2012-13 at the meeting of the Court on 26 April 2011, and the contract was subsequently renewed to cover the financial years 2013-14 and 2014-15. In view of PwC's other work for the University, on the Business Transformation project, the firm will not be eligible either for renewal of its appointment as external auditor or for appointment as internal auditor.

In terms of audit and financial reporting the report indicated that:

- The auditors expected to give an unmodified opinion on the statements and that they had been prepared in accordance with the Accounts Direction of the Scottish Funding Council (SFC) and the appropriate Statement of Recommended Practice (SORP);
- The auditors expected to conclude that income from the SFC, as well as from other sources, had been appropriately applied;
- The statements had been produced on a timely basis in accordance with the agreed timetable, but that areas for highlight included the following:
- The Auditors reviewed the key assumptions applied to the pension scheme's valuation of its liabilities and compared them with their actuarial specialists' expectations and concluded that the assumptions adopted by the University were reasonable and lay within an acceptable range.
- The Auditors considered the accounting treatment for the Research & Development Expenditure Claim. During 2014/15 the University submitted a claims to HMRC for the periods 2012/13 and 2013/14 which resulted in a gross claim of £6.5m. Additionally the University recognised an estimated claim for 2014/15 which was calculated to be £4.5m, but in order to be prudent the University only recognised 85% of this (£3.8m). Despite varying approaches across the sector the Auditors were not uncomfortable with the position taken by management in recognising the 2014/15 claim as they felt that management were able to appropriately estimate the amount of income so as not to result in a material misstatement. The Auditors agreed with the approach of management to present the income and taxation charge as exceptional items within the financial statements.

- The Auditor recommends that the University review its severance arrangements in the context of the SFC's requirements set out in the Financial Memorandum which is effective from 1 November 2014. In particular the Auditor notes the requirement for a general policy on severance out with any Voluntary Schemes decided upon from time to time.

Having carefully considered the report of the external auditors, the Audit Committee resolved to recommend to Court that the financial statements should be approved. The Committee noted the recommendations contained in the report from the external auditors and were satisfied by the associated management responses.

3. TERMS OF REFERENCE AND PROCEDURES

Minor amendments to the Terms of Reference were made at the meeting of the Committee on 23 September 2014 which stated the Committee's role in monitoring the University's arrangements to secure Value For Money (VFM). The Terms of Reference were reviewed again on 3 March 2015 to enable the oversight of the involvement of the external auditor in non-audit work, in line with good practice as outlined in the Committee of University Chairs' Handbook for Members of Audit Committees.

In considering internal audit reports the Committee focuses primarily on critical or high risk recommendations, where the issue represents a control weakness that is fundamental to the system under review and where the University should take immediate or prompt action. In addition, when critical level recommendations are made the internal auditors inform the Convener of the Audit Committee directly at the earliest possible time. For all internal audit reports, the audit sponsor or relevant Director is invited to attend the meeting of the Committee to provide appropriate contextual information to the Committee and to allow joint exploration of the issues raised.

A formal process of following-up and reporting on outstanding audit recommendations was introduced during 2011/12. Twice annually the Committee is provided with a report outlining the status of outstanding recommendations; should there be evidence of repeated non-implementation of recommendations, the individual responsible may be asked to attend the Audit Committee meeting for further discussion.

4. INTERNAL AUDIT

Internal audit work for the year was provided, for the first time, by Scott-Moncrieff. Their appointment runs for two years up to 31 July 2016.

During 2014/15 the Committee received reports on the internal audit assignments with recommendations graded as shown in the table. The headings in the following table refer to the risk exposure, corresponding to deficiencies or absences of key controls. The numbers refer to the number of recommendations in each of the reports

	Efficiency	Limited	Moderate	High	V High
Core Financial Systems	-	5	5	-	-
Risk Management	-	3	5	-	-
Partnership Working Arrangements	-	1	3	1	-
Student Experience	-	1	1	-	-
Estates Asset Management	-	2	3	-	-
Dundee University Students' Association	-	1	1	-	-
Information Technology (VFM)	-	-	2	4	-
Total	0	13	20	5	

Core Financial Systems

This review covered a range of financial systems and processes, including financial planning, budgetary control and cash management. Opportunities for development included:

- Ensuring that projected tuition fee income targets were realistic;
- Requiring individual budget holders to sign off their budgets prior to approval by the University Court;
- Creating a coherent strategy focussed on delivering savings across the University;
- Improving budget monitoring procedures by agreeing thresholds for investigating and explaining budget variances and ensuring that actions at budget holder meetings are recorded and followed up.

Risk Management

This review considered the risk management processes at the University of Dundee and noted the recent streamlining of processes by incorporating risk management with the work of the Directors and College Secretaries Group. Opportunities for improving the University's approach to risk management included:

- All risks should be linked to the specific corporate objectives to help describe their potential impact;
- The development and approval of clear action plans for each risk where the residual (net) risk is unacceptably high;
- The University Court or a delegated Committee should be tasked with defining the University's risk appetite to guide management in risk mitigation;
- A risk assurance map should be developed to provide a framework for executive management and members of the Court to assess whether they receive adequate assurance that key risks are being managed in line with their expectations;
- Specific guidance should be developed to support the strategic and operational risk management process, including a revised risk management strategy and the development of a risk management policy and guidance to reflect current working practices and best practice.

Partnership Working – International Collaborations

This review considered arrangements and processes in place to regulate international collaborations. The review noted that the University had recognised that controls had to be strengthened in this area and had taken steps to improve processes, including the creation of the Collaborative & Transnational Education Committee (CTEC). Several opportunities for further development were identified and included:

- Ensuring that resource and responsibilities within processes were defined and implemented;
- Defining the University's risk appetite for international collaborations so that staff and committees can effectively consider the viability of new or existing collaborations, and ensure that the risk and issue management procedure links to the University's overall risk management framework;
- Further developing minimum monitoring and reporting requirements;
- Implementing a financial modelling tool and ensuring that Finance are involved in assessing the financial visibility of all international collaborations;
- Ensuring that agreements are current and that the renewal process includes an assessment of what the collaboration had delivered and the financial viability of it if it continues.

Student Experience – Retention

This review considered the University's approach to addressing student retention. The auditors found that University's approach is good and the process is clearly set out in Retention & Progression Strategy and related action plan. Two areas were identified for further consideration:

- The need to ensure that the existing effective communication channels between the Retention & Progression Committee and each School, or equivalents, are available after the University re-structure;
- That retention rates are reported more frequently and in more 'real time'.

Estates Asset Management

This review concluded that the arrangements in place for estates oversight are generally sound but would benefit from being strengthened further to ensure the estate is managed effectively and in a manner that supports the delivery of the University's strategic aims.

The Review found a number of areas of good practice including:

- The creation of an Estate's Supporting Strategy with associated key performance indicators;
- A Planned Preventative Maintenance system is currently being implemented to help ensure all maintenance works required by legislation are undertaken in a timely manner; and
- Individuals have been appointed to oversee specific areas of legislative compliance, such as the Asbestos Manager and the Health & safety Coordinator.

The review also identified the following opportunities for development:

- The Estate's Strategy should be updated to reflect the current strategic objectives of the University and priorities for the estate in light of the current financial climate;

- Greater oversight of estate management should be provided at SMT and Committee level;
- Formal, documented checks should be implemented to ensure the estate and staff comply with key legislation; and
- Formal communication and engagement will help ensure stakeholder views are obtained and used to inform all relevant strategic objectives and operational activity.

DUSA

The auditors carried out their annual routine review of DUSA. The focus of the review centred on the controls in place to ensure that the Memorandum, of Understanding and Student Partnership Agreement (SPA) were current and reflected the strategic priorities of both organisations. A number of areas of good practice were identified along with a number of recommendations relating to:

- the use of SMART objective setting when creating the SPA;
- progress against the SPA should be monitored and reported to relevant Committees; and
- the recording of actions agreed during meetings between University and DUSA management.

On the whole the report recognised that the University and DUSA have a collaborative relationship, supporting effective and efficient partnership.

Information Technology – Value for Money

This Review considered the University's approach to IT asset procurement and management. The Review identified a number of areas related to the procurement and management of IT assets which need to be improved. The main findings were as follows:

- Procurement frameworks could be used to a greater extent throughout the University to ensure greater consistency when procuring IT assets;
- An IT asset catalogue which sets out the approved devices for purchase, requires updating;
- The University does not maintain a comprehensive IT asset database to record and reconcile IT hardware and software assets;
- There is the requirement for greater consistency across the University with regards to the renewal of IT assets.

Each report was considered in detail, with the auditors and officers addressing comments and questions from Committee members. The Committee was generally satisfied with the management responses to the issues raised and with the timescales for addressing them, where appropriate. Where timescales for implementation were considered to be lengthy, further reports providing details of milestones toward full implementation were requested to aid understanding of the proposed timescale and active monitoring of progress. Progress on the implementation of all recommendations will be monitored through follow-up reports from the auditors, as well as through active monitoring by University officers, as outlined above.

The Auditors produced a Follow-Up Report and the Committee considered it at their meeting of 22 September. The report stated that 96 actions had been reviewed and sufficient progress had been made to provisionally close 30 actions. Of the 66 outstanding actions, 31 were assessed as being in progress, 16 had been superseded by the Business Transformation Project and 19 were not yet due.

At the meeting on 30 November 2015, the Committee considered a revised Internal Audit Follow-Up Report and noted that all of the 30 actions provisionally closed in September were considered complete by the internal Auditors, and that an additional 16 actions had also been judged as complete.

Overall Internal Audit Opinion

The internal auditors provided the Committee with their overall assessment of the University's internal control systems. The auditors were of the opinion that 'reasonable assurance can be given that the governance, risk management and internal control arrangements in place at the University of Dundee are adequate and effective, subject to continuous improvement in

- certain IT asset management controls;
- monitoring and reporting of international collaborations; and
- European funding administration.

5. RISK MANAGEMENT

The Committee received a report the Directors and College Secretaries Group (DCSG) on 1 December 2014 which detailed the Group's discussions on risk management matters. The Committee noted that updates had been received in relation to insurance matters, business continuity and institutional and local risk registers.

The Audit Committee also oversaw the revisions to the format of the institutional risk register to highlight risk trends. The register continued to incorporate an assessment of gross and residual risk, the adoption wherever appropriate of SMART mitigating actions, and the focus on key strategic risks. Revised institutional risk registers were approved by Court at its meetings on 27 October 2014 and 15 December 2014. The Committee agreed to a recommendation from the auditors that it would be beneficial for the Court to provide greater input into the identification of strategic risks and agreed that in future when approving the institutional risk register the Court would focus on the top ten strategic risks.

The Committee also received regular reports from the Director of Legal Services and Insurance Manager quantifying the potential costs arising from litigation, and the annual fraud report from the Director of Finance.

5. OTHER ACTIVITIES

In response to the Audit Committee's self-review of effectiveness in 2011/12, training sessions for members of the Audit Committee focussed on the approaches to internal and external audit at the University and were delivered by the Director of Finance and Director of Policy, Governance & Legal Affairs at the meetings on 23 September 2014 and 1 December 2014.

In September 2015 the Audit Committee considered and approved the internal audit plan for 2015/16 and a provisional plan for 2016/17. Reviews were scheduled in the following areas: Financial Systems, including payroll, expenses and expenditure and creditors; Student Recruitment; Research Contracts; School Reviews, including effects of recent restructuring and aspects of business transformation; and Health & Safety. The Committee is taking a particular interest in the planning and implementation of the IBS Business Transformation Project.

6. COMMUNICATION TO THE COURT

Minutes of the meetings of the Court are available from <http://www.dundee.ac.uk/governance/governance/court/court-agendas-minutes/>

Key matters communicated to the Court by the Audit Committee related to:

- Summaries of internal audit reports, in particular those relating to Data Returns Analysis and Health & Safety;
- Annual Financial Statements;
- Review of going concern;
- Post-investment appraisals;
- Subsidiary and Associate Companies accounts;
- Risk Management matters including the redevelopment of the Institutional Risk Register;;
- Audit contracts;
- Annual Transparent Approach to Costing (TRAC) return;
- Outcomes of Whistleblowing investigations;
- Efficient Government Return; and
- Information compliance.

7. OPINION

Auditors

The Committee has been satisfied with the performance and diligence of the internal and external auditors.

Effectiveness of Internal Controls

On the basis of the Internal Audit work undertaken during the course of the year, comments from the external auditors on the University's financial statements, and statements from management, the Audit Committee believes that the University has an adequate framework of risk management, control and governance arrangements, and adequate arrangements for promoting efficiency and effectiveness (VFM). The Committee will continue to monitor the progress of the University on the implementation of the recommendations contained in the external auditors' report and the various reports from the internal auditors.

APPENDIX 5

GOVERNANCE & NOMINATIONS COMMITTEE
(Minute 25)

A meeting of the Committee was held on 16 November 2015.

Present: Mr EF Sanderson (Convener), Principal Professor Sir Peter Downes, Ms J Aitken, Mr R Bint, Mr K Burns, Ms J Marshall and Professor M Scott.

In Attendance: University Secretary; Director of Academic & Corporate Governance; Mr J Elliot and Policy Officer (Corporate Governance).

Apologies: Ms B Malone.

1. MINUTES

Resolved: to approve the minutes of the meetings of 5 October 2015 and 26 October 2015.

2. UPDATE ON APPOINTMENT OF CHAIRPERSON OF COURT

[Secretary's note: In line with good practice, the Chancellor's Assessor (acting as Deputy Chairperson and Senior Independent Member), Mr J Elliot, chaired this discussion.]

The Chancellor's Assessor provided an update on the process to appoint a new Chairperson of Court. In doing so, he informed members that the process was proceeding on schedule and that dates had been set for the longlisting, shortlisting and interview of candidates.

The Director of Academic & Corporate Governance informed the Committee that the University had received informal consent from the Privy Council to enact the changes to Statute 9 which would permit, by Statute, the process of appointing a Chairperson. As was reported at the Committee's last meeting, the Privy Council advisors requested clarification that the student and staff unions had been fully consulted on the proposed process. Members noted that both the staff and student unions had contributed comments and feedback on the final role specification and that the position had subsequently been advertised in the Sunday Times.

The Principal provided an update on the Higher Education Governance (Scotland) Bill. In doing so he informed members that it was highly likely that an election process of some kind for the Chairs of governing bodies would be included in the final version of the Bill.

In response to questions the Principal informed the Committee that as a result of the Bill's provisions, he felt that Scottish universities still ran the risk of being reclassified as public sector bodies, with the attendant financial implications, by the Office of National Statistics (ONS). The Principal highlighted the powers given to ministers via secondary legislation to determine the remuneration of Chairpersons as a specific risk with regards to ONS reclassification.

Resolved: to note the update.

3. FINANCIAL STATEMENTS: CORPORATE GOVERNANCE STATEMENT

The Committee reviewed the draft corporate governance statement as provided to the external auditors for inclusion within the Financial Statements. Members noted that their suggestions provided at the meeting on 5 October had been incorporated and that the statement demonstrated that the University was in full compliance with the Scottish Code of Good Higher Education Governance.

Resolved: to approve the draft statement.

4. REMUNERATION COMMITTEE

The Secretary reminded the Committee of arrangements for the production of an annual report to Court on senior officers' remuneration. The Committee reviewed the template provided and noted that senior

officer's salaries would also be published by band in the corporate governance statement of the annual Financial Statements.

Resolved: to approve the template.

5. REGISTER OF MEMBERS' INTERESTS

The Committee received a paper containing a summary of the most recent annual disclosures by members of Court.

Resolved: to note the content and endorse its publication on the University's webpages, subject to minor amendment, and to require any individuals who had yet to submit a disclosure to do so, even if this was simply to confirm a nil return.

6. STATEMENT OF DIVERSITY ON COURT

As part of a regular review of policies and statements the Committee considered the Court's Statement on Diversity (annex). Members noted that the statement had been developed in line the principles of the Scottish Code of Good HE Governance and had been approved by Court in December 2014. The Committee noted the statement set out the principles of the Court in respect to diversity, and members noted the progress which had been made in improving the gender balance on Court.

The Committee asked officers to prepare a report detailing the make-up of the university community in relation to protected characteristics so as to inform the ongoing consideration of diversity in Court's membership.

Resolved: (i) to await a report detailing the composition of the university community in relation to protected characteristics; and

(ii) to endorse the statement to Court for approval.

7. RENEWAL OF COURT MEMBERSHIP

The Committee noted that Ms Shirley Campbell's first term of office on the Court would expire on 29 February 2016 and that she was eligible for re-appointment for a further term of four years.

The Committee considered and discussed the renewal of Ms Campbell's membership based upon: the attendance and contribution at meetings of Court and its Committees; the involvement of the member with other aspects of University business such as hearings and graduations; the qualities sought of Court members as published alongside the advertisement for new members; and the balance of skills across the Court.

The Committee noted the value and commitment of Ms Campbell to the work of the Court and her contribution as Convener of the Human Resources Committee.

Resolved: to recommend unanimously to Court the renewal of the membership of Ms Shirley Campbell for a further term of four years

8. ANY OTHER BUSINESS

(1) Audit Committee Member

The University Secretary informed the Committee that two individuals had been identified for possible external membership of the Audit Committee. Members noted that the University Secretary and the Convener of the Audit Committee proposed to meet informally with the two individuals to gauge their interest in serving and that an update would be provided at the next meeting.

Resolved: to note the update.

(2) Academic Calendar

Members requested that the University Secretary consider arrangements for the publication of the 2016/17 Academic Calendar in an effort to ensure that Court and Committee dates were confirmed as soon as possible.

Resolved: to await an update from the University Secretary at the next Meeting.

Statement on Diversity on the University Court

As the Governing Body of the University of Dundee, the Court is publicly committed to ensuring that established principles of good practice in equality and diversity pervade all activities in which the University is engaged. The Court recognises that a diverse staff and student community underpins the very nature of academic endeavour whose foundation is the dialogue and interplay between differing opinions from different backgrounds and standpoints. The success of the University rests on fostering such diversity.

The Court recognises that it must espouse these same principles of good practice in respect of its own membership and that it should be subject to the same scrutiny in respect of equality and diversity as the rest of the University community. The Court is particularly concerned to address the issue of gender imbalance in its own membership, as well as in the membership of its own committees and those across the institution. In respect of its own membership it has declared a commitment to achieving a 40% minimum representation of either gender among its lay appointments as vacancies become available over the medium to longer term. In support of this, the Court has affirmed its commitment to the use of advertising in a way which reaches out to as diverse a range of candidates as possible, and this may include the use of external search agencies. The Court will also promote greater diversity from those groups who elect members to serve on the Court.

The Court, through its Governance & Nominations Committee, has established a robust process for appointing new lay members to the Court, which it believes to be transparent, fair and objective. To support this process the Court will ensure that appointment panels for new Court members, and for senior appointments within the University, do themselves demonstrate principles of good practice in equality and diversity. Moreover, in all future lay appointments Court will make use of an evaluation of the range of skills along with equality and diversity information of current Court members to be able to promote inclusivity and equality in terms of all nine protected characteristics (gender, race, religion, sexual orientation, age, pregnancy & maternity, transgender status, disability, marriage & civil partnership) in the selection process.

APPENDIX 6**COMMUNICATIONS FROM THE SENATUS ACADEMICUS
(Minute 28)**

Meeting of 2 December 2015.

1. PRINCIPAL'S REPORT

The Senatus received a report from the Principal on issues arising from the most recent meetings of the University Executive Group (UEG).

The Vice-Principal in the Chair informed Senate of the Privy Council confirmation of amendments to Statute 10 and welcomed members to the first meeting of the newly constituted Senate.

The Vice-Principal explained that the main themes of the Principal's Report would be discussed as later agenda items and drew the attention of members to the discussions of the University Executive Group, the list of research grant awards and information on recent notable achievements of staff and students contained in the appendices to the Report.

The Senatus decided: to note the Principal's report.

2. UNIVERSITY COURT

The Senatus received a communication from the Court meeting held on 26 October 2015.

The Senatus decided: to note the report.

3. EU MEMBERSHIP REFERENDUM

Senate considered the questions posed in the Report from the Principal concerning the University's approach to the referendum on the United Kingdom's membership of the European Union and noted the Principal's intention to begin an open debate on the University's corporate position and to encourage suggestions on what academic and public engagement activities might be devised and promoted by the University.

Members noted the success of the Five Million Questions programme hosted by the University during the Referendum on Scottish Independence and welcomed the suggestion of a similar programme of events. However some members suggested that a programme of academic-led debate hosted by the University would be untenable if the institution was at the same time openly campaigning in support of one side of that debate. Members noted that the perceived neutrality of the Five Million Questions programme had been one factor in its success and this would be difficult to replicate if the University had a settled corporate view in advance of the debates that it was seeking to promote.

Senate noted the student perspective expressed through the results of a recent study carried out by the Higher Education Policy Institute (<http://www.hepi.ac.uk/2015/11/30/seven-10-students-want-uk-stay-eu-change/>) and observed that a majority of students were in favour of their University leading the debate. Members agreed that any programme would need to connect with the student perspective in order to be successful and Senate recognised the importance of working in partnership with DUSA, in particular.

Members recognised that the University should avoid giving any impression that it was attempting to put pressure on its staff and students to accept a corporate view or otherwise unfairly influence their personal voting behaviour. The Vice-Principal agreed that any pressure of this kind would be unacceptable and fundamentally incompatible with the University's values and mission.

On the question of sector-level approaches, Senate noted that Universities UK had decided to formulate and publicise a policy position in favour of EU membership and some members suggested that rallying behind the UUK position would be an acceptable corporate position and more compatible with the role of individual institutions to engage with and improve the quality of debate in the run up to a referendum.

Members suggested that the positive aspects of EU membership, from the University's point of view, in terms of research funding, student mobility and social & cultural benefits, would emerge from open debate and that a public-facing programme of events should aim to inform rather than influence. Some members

emphasised the need for higher education to act as a counterbalance to the misrepresentation and misunderstanding encountered in certain parts of the press and media.

Members generally agreed that the University did have a role to play in encouraging staff, students and the wider public to engage with the debate, to make informed choices and to participate in the democratic process. It was argued that this role would be best served by focussing on improving the intellectual quality of the debate rather than taking what could be perceived as a campaigning stance. Members also noted that political campaigning might not be compatible with the institution's charitable status and that the University had a wide and complex range of relationships with stakeholders that also needed to be taken into account,

Senate expressed support for a public programme of events that focussed on encouraging intellectual rigor and democratic engagement rather than an approach that sought to influence through partisan or political campaigning. Senate agreed that corporate views should be expressed through the leadership of the Principal, the governing body and through sector-wide representational organisations such as UUK but demurred at any suggestion of an official and mandatory University position on issues subject to democratic sanction.

The Senatus decided: for its part, to support the development of a programme of events related to the EU Membership referendum hosted by the University.

4. FINANCIAL UPDATE REPORT

The Senate received a presentation from the Director of Finance on the University's current financial position and an analysis of the likely impact of expected reductions in core funding as a consequence of the UK Government's Comprehensive Spending Review and the Scottish Government's budget to be announced later in December 2015.

Senate noted that the University's recent financial history was characterised by break-even or deficit positions that had left no room for the investment required, in some parts of the University, to fully implement the Transformation Agenda. Members noted that a uniquely unbalanced relationship between research and teaching income, relative under performance in recruiting full-fee paying students and a high proportion of charity and other non-overhead bearing research funding had contributed to this challenging financial position.

The Director advised that corrective action was being taken to seek to avoid the University posting a deficit in the current financial year following a shortfall in unregulated tuition fee income against budget; and that the projected outlook for 2016/17 and beyond was for a worsening position in response to anticipated increases in pension and national insurance costs alongside annual national salary settlements, incremental progression and other cost pressures.

The Director explained that significant increases in both unregulated income and staff productivity would be required to avoid a worsening deficit and a lack of financial resilience due to the absence of reserves to absorb shocks or provide for investment.

On the question of future developments the Director highlighted the University's exposure to pension scheme deficits, declining quality of estate due to a lack of capital funding and insufficient surpluses, pressure on cash flow and the need for additional borrowing, greater competition for unregulated fee income and some uncertainty over the future direction of HE in the light of the UK Government's Green Paper and the Nurse Review of Research Councils.

The Director concluded his presentation by highlighting the challenges to come and the need to take action to ensure the University was in the best possible position to respond to increasingly difficult operating conditions across the sector.

In the discussions that followed members noted the paradoxically good performance in the National Student Survey and a number of other national surveys and league tables – including being named as the Scottish University of the Year. The Vice-Principal emphasised that despite the University's financial fragility its commitment to quality in learning, teaching, research and the student experience was undiminished and that these indicators of performance provided a basis for the active marketing and branding of the University in key unregulated markets.

Members welcomed the transparent presentation of the position, reported that many in the University were concerned about the current situation and emphasised that there was a need to communicate a clear plan for recovery once the impact of the forthcoming Scottish budget was known.

The Vice-Principal agreed that better understanding of sustainability was needed at all levels within the institution to inform and improve strategic decision making and that a programme of discussions with each School, on sustainable research activity, had been planned.

The Vice-Principal (International) outlined the approach now being taken to ensure the necessary increases in overseas student numbers and emphasised the important role of academic staff to support the University's ambitions in this area. In particular she asked Senate to note the need for academics to participate in overseas recruitment events and to dedicate significant time to conversion activity on a regular basis.

Members agreed that academic workload planning that included an element of recruitment and conversion activity would help to avoid unnecessary increases in pressure on academic staff and that training and support of staff in this area would increase their effectiveness.

Members also agreed that improved institutional adaptability, in depth scenario planning, longer term "blue skies" planning and the inclusion of current students as potential aides to student recruitment would be welcome.

The discussion concluded with an agreement that although the current financial situation was difficult there was scope for the University to take action, make progress in those areas where improvements were needed and to create a more sustainable financial base from which to achieve its long term goals.

The Senatus decided: to thank the Director of Finance for his presentation.

5. ACADEMIC PROMOTIONS

The Senatus noted the following promotions to Professor and Reader (from 1st October 2015):

Professorial Appointments:

Professor John Dillon	School of Medicine
Professor Ghulam Nabi	School of Medicine
Professor Sara Brown	School of Medicine
Professor Lorraine van Blerk	School of Social Sciences
Professor Jeanette Paul	School of Art & Design
Professor Zhihong Huang	School of Science & Engineering

Readerships:

Dr Mark Cutler	School of Social Sciences
Dr David Pontin	School of Science & Engineering
Dr Jianguo Zhang	School of Science & Engineering
Dr Maria Ana Cataluna	School of Science & Engineering
Dr Jonathan Knappett	School of Science & Engineering
Dr Michael McCarthy	School of Science & Engineering
Dr Michael MacDonald	School of Science & Engineering

6. RECTORIAL ELECTION

The Senatus decided: to homologate the appointment of the following two members of the Senatus as Presiding Officers for the Election of the Rector in 2016:

Janice Aitken (as Returning Officer)
School of Art & Design

Professor Stuart Cross
School of Social Sciences

7. **INTERIM APPEALS PROCEDURE AMENDMENT**

The Senatus decided: to approve the following latitude clause to apply as an interim amendment to the current undergraduate and postgraduate appeals procedures:

The Appeals Committee must be convened by a Vice-Principal, a Dean of School or a professorial member of the academic staff approved for this purpose by the University Secretary.

8. **DEPUTY PRINCIPAL (PUBLIC ENGAGEMENT)**

The Senatus decided: to recommend to Court the co-option of Professor Sue Black as a member of the Senatus, coterminous with her appointment as Deputy Principal (Public Engagement) under Statute 10(1)(h).

9. **ACADEMIC COUNCIL ELECTION TO SENATE**

The Senatus decided: to note the election of Professor Niamh Nic Daéid as a member of Academic Council to serve on Senate.