

UNIVERSITY OF DUNDEE**UNIVERSITY COURT**

A meeting of the University Court was held on 4 September 2006.

(Note: this brief business meeting constituted part of the annual Court Retreat.)

Present: Mr J R Milligan (in the Chair), Principal Sir Alan Langlands, Dr R J Abboud, Professor A Burchell, Mr R Burns, Dr J R Elliott, Dr A Goligher, Mr B W M Johnston, Dr H Marriage, Professor A F Newell, Ms E A Robertson, Dr L A L Rolland, Mr E F Sanderson and President of the Students' Association.

In Attendance: Vice-Principals Professor A Anderson, Professor D H Boxer, Professor J Calderhead and Professor C P Downes, Secretary, Deputy Secretary & Clerk to Court, Directors of Finance, Information Services and Strategic Planning and Deputy Director of Finance.

84. FINANCE & POLICY COMMITTEE

The Court received the report of a meeting of the Committee on 27 July 2006 (**Appendix 8**).

The Court decided: (i) to approve the various recommendations concerning borrowing requirements (item 5);
(ii) otherwise, to approve the report.

85. RETIRING MEMBER

On behalf of the Court, the Chairman bade farewell to Professor Alan Newell, who was retiring from the University on 30 September 2006 after 26 years of service. In addition to his pioneering research achievements, which had been of great benefit to older and disabled people, he had made major contributions to the management and governance of the University in the offices of Dean and Deputy Principal and latterly as a member of Court.

APPENDIX 8**FINANCE & POLICY COMMITTEE
(Minute 84)**

A meeting of the Committee was held on 27 July 2006.

Present: Mr B W M Johnston (Convener), Principal, Professor D H Boxer, Professor A Burchell, Mr J Milligan and Dr M R Ward.

In Attendance: Director of Information Services, Director of Finance and Miss L A Wilson.

1. MINUTES OF PREVIOUS MEETING

Resolved: to approve the minutes of the meeting held on 22 May 2006.

2. FINANCIAL FRAMEWORK 2006/07 - 2010/11

It was explained to the Committee that the primary purpose of the meeting was to discuss this item.

The Principal reported that, through the Senior Management Team, proposals would be made to meet the funding gap identified in the Financial Framework of c £7m in 2007/08 and a further £7m in 2008/09. He emphasised that there was no single solution and that measures proposed would include:

- reducing core staffing
- new initiatives to increase income
- rationalisation
- commercialisation
- developing new ways of working
- concentrating on overhead-bearing research

It was the view of the Senior Management Team that a separate group to consider financial sustainability was not required and that the current Team, incorporating the new College Vice-Principals, should review the Financial Framework and present clear proposals to the Committee in January 2007 and to Court in February. The Team would require support to carry out this function and this would be discussed at the Court Retreat on 4 September 2006.

There was a lengthy discussion on the external factors affecting University finances such as the Scottish Funding Council initiative on research pooling. The likely structural consequences of these factors were considered.

Discussion also took place regarding a strategy should the University be unable to achieve its budgeted surplus of £5m in 2006/07 and the targets for subsequent years. In formulating its proposals, the Senior Management Team should consider measures to be taken to ensure that borrowing limits were not exceeded.

Resolved: to invite the Principal to present the results of the financial review to the Committee in January 2007 and thereafter to Court in February.

3. TMRC BUILDING

The Principal reported on the current position regarding the funding of the new TMRC building at Ninewells. Discussions were proceeding with banks and public sector partners.

The Convener reported that at the Court meeting on 12 June 2006 Mr R Burns had been appointed as successor to Mr W Sutherland as Convener of the Audit Committee and would therefore attend the Finance & Policy Committee. The Committee agreed that Mr Burns should also replace Mr Sutherland on the sub-committee within the Finance & Policy Committee that was reviewing the TMRC funding proposals.

Resolved: to invite the Director of Strategic Planning to report on financing options at the next Committee meeting on 29 August 2006.

4. **BORROWING**

The Director of Finance circulated two up-to-date tables showing the respective cash-flow savings achieved by borrowing £5m or £6m for injection into the University of Dundee Superannuation Scheme. The projections, over a 14-year period, were based on repayment of the borrowing commencing in year 5 and continuing by equal annual instalments of £500k or £600k over the following nine years. The Committee was asked to approve the proposal and the amount to be injected into the Scheme. The projections showed that at current interest levels, and allowing for the resultant savings in annual contributions to the Scheme by the University, the borrowing would be completely repaid by the end of the 14-year period, leaving a cash surplus. At the same time, the actuarial deficit in the fund as at 1 August 2005 would be reduced by around 50%.

The Committee accepted that borrowing a substantial amount was beneficial to the University's cash flow and the Scheme and that £6m would maximise the projected cash flow savings of £2.6m over the proposed 14-year period. Caution was expressed in going above £6m so as not to prejudice any additional short-term borrowing needs. The Director of Finance advised that the projections would be submitted to the Scheme Actuary for confirmation.

The Convener read out a letter which the Director of Finance had received from Mr Chris Smith of Noble Grossart advising that its net asset size and current cash flow should enable the University to borrow well in excess of the current proposed additional £6m which was to be injected into the University of Dundee Superannuation Scheme. This level should not affect significantly the current margin of 0.22% above base rate. The Convener advised the Committee that he would prefer a fixed interest rate even though Mr Smith had recommended a variable interest rate.

The University would also have capital receipts during 2006/07 from:

- the sale of Gardyne Road (cash expected first week in August)
- finalisation of the Residences outsourcing and funding of Heathfield car park (c £6m due in the autumn)
- the sale of Wimberley, Springfield and other properties, generally due in the second half of the year.

The unpredictable timing of these cash flows could require £5m of temporary, very short-term borrowing above £20m. The Director of Finance sought the Committee's approval for this additional temporary cover.

The Director of Finance advised the Committee that all extra borrowing would require Scottish Funding Council approval. In order to avoid approaching the Funding Council with requests for approval for piecemeal tranches of borrowing, an overall package would be submitted for approval, incorporating:

- current borrowing
- temporary cash-flow borrowing
- ring-fenced pensions-related borrowing
- TMRI financing

Resolved:

- (i) to recommend that the University borrow £6m, to be ring-fenced for the purpose of decreasing the deficit in the University of Dundee Superannuation Scheme, conditional on approval by the Actuary and the negotiation of acceptable borrowing terms;
- (ii) to recommend approval of temporary borrowing of £5m to fund in-year cash shortfalls should they arise;
- (iii) to present a borrowing strategy to SFC incorporating all current and proposed borrowing, once Court approval had been obtained.

5. VAT

The Director of Finance referred to a letter from the University's VAT advisers on the current position concerning potential VAT liabilities. The position remained as reported to previous meetings and advice would be sought from the auditors on provisions required in the accounts. It was noted that the VAT officer dealing with the University had been particularly intransigent: in the light of this observation, the Director of Finance was asked to investigate the process for making a formal complaint to HMRC regarding the conduct of its VAT officer.

The amount of a VAT refund outstanding was £235k.

- Resolved:**
- (i) to note the advisers' report, which showed a best-case liability of £172k and a worst-case position of £1.75m due to HMRC;
 - (ii) to invite the Director of Finance to investigate the process of making a formal complaint to HMRC regarding the conduct of the VAT officer.