

UNIVERSITY OF DUNDEE**UNIVERSITY COURT**

A meeting of the University Court was held on 17 December 2007.

Present: Mr JR Milligan (in the Chair), Principal Sir Alan Langlands, Professor RJ Abboud, Mr M Arnott, Mr WI Ball, Mr MPF Bogunovic (President of the Students' Association), Professor A Burchell, Mr R Burns, Dr JR Elliott, Dr A Goligher, Mr BWM Johnston, Dr J Lowe, Dr H Marriage, Professor GJ Mires, Dr AM Roger, Dr LAL Rolland, Mr EF Sanderson, Mr IDM Wright.

In Attendance: Vice-Principals Professor DH Boxer and Professor J Calderhead, Professor MJ Pippard (Dean of the School of Medicine) (Item 1), Secretary, Director and Deputy Director of Finance, Director of Information Services & Deputy Secretary, Directors of Strategic Planning and Human Resources and Clerk to Court.

20. NINEWELLS TEACHING AND LIBRARY ACCOMMODATION

The Court heard a presentation from the Dean of the School of Medicine, Professor Pippard, on proposals to provide new teaching and library accommodation at Ninewells. The main drivers for the proposals were the poor condition of the existing accommodation; changes to the medical curriculum, which focussed on teaching in small groups, for which the School was ill equipped; and increases in student numbers coupled with the inclusion on the Ninewells Campus of some of the teaching of 1st year medical students, which had previously taken place on the City Campus. The aim of the proposals was to create a new Teaching and Learning Centre at the heart of the Ninewells campus, with strong partnership with the NHS. The components of the new accommodation would be small group teaching rooms, expansion of the Clinical Skills Centre (CSC), the integration of the Centre for Medical Education (CME) and the Distance Learning Centre (DLC) on the Ninewells site and the updating of library accommodation. The first phase of the proposed work would see extension of the CSC and the conversion of existing, but little used, library space into a suite of small group teaching rooms. Work on a new building for the CME and the DLC would follow, with the final phase seeing the redevelopment of the remaining library space. The cost of the first phase was estimated at £6.8m, a proportion of the funding for which would come from an uplift in Additional Cost of Teaching (ACT) funding through NHS Education for Scotland (NES) as well as through the sale of Taypark House. A detailed proposal would be brought to the next Finance & Policy Committee meeting, and thence to the Court for its meeting on 18 February 2008.

The Court decided: to support, in principle, the proposals and to look forward to detailed plans early in 2008.

21. MINUTES

The Court decided: to approve the Minutes of the meeting on 22 October 2007.

22. MATTERS ARISING

(1) Clinical Pharmacology Trust (Minute 3)

The Court decided: to approve the extension of Professor Richard Olver's appointment as a trustee of the Fund to 31 December 2008.

(2) Ordinance 40 (Minute 14)

The Court decided: to confirm the decision, taken at its meeting on 22 October 2007, to approve amendments to Ordinance 40 – Student Discipline, such that:

(a) 'The President of the Dundee Students' Association' be added to the list of authorised officers at paragraph 2(2);

(b) a final sentence be added to paragraph 6(1): 'The delegated power to the DUSA President to apply any penalty only applies where he/she is acting as part of a Disciplinary Panel and does not extend to a power to act alone'.

(3) Statute 16 – Academic Staff – Discipline, Dismissal and Removal from Office (Minute 18)

The Court decided: to note the composition of a Tribunal to consider a charge against an unnamed member of staff in accordance with Statute 16.

23. CHAIRMAN'S BUSINESS

The Chairman reported that he had recently visited each of the Heads of College, and would in the New Year begin a series of visits to each of the Deans of Schools. The Chairman had also made a very useful visit to the Scottish Crop Research Institute (SCRI) along with Professor Boxer. The SCRI was the location for the University's new Division of Plant Sciences, a joint undertaking between the SCRI and the College of Life Sciences.

24. PRINCIPAL'S REPORT

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

Before tackling financial issues, the Principal highlighted a number of achievements since his last report. The University's submission in the Research Assessment Exercise (RAE) 2008 had been made on time. Preliminary discussions were already taking place on a consultation document from the Scottish Funding Council outlining the proposed metrics-based system which would replace the RAE in future. The award winners from this year's Honorary Graduates Innovative Teaching Award had given presentations on their successful projects at an event on 13 December 2007 designed to share best practice in learning and teaching.

In turning to financial issues, the Principal explained the impact of the spending plans of the Scottish Government on the Higher Education sector in Scotland. Taking out the effects of inflation, the proposed plans would mean growth rates in University funding for the three years from 2008/9 of -0.2%, +1.4% and +1.7%. The University had based its forecasting on an average real growth rate of 1.5%. The expected negative impact of the settlement on the University's income as compared to plan would be in the region of £1.3m in 2008/9 and £1.4m in 2009/10. There might be more capital funding available but this would depend on how the budget was allocated and the amount that was ring-fenced. The Principal urged caution on the prospect of additional funds becoming available as a result of possible year-end flexibility in the Scottish budget.

The Principal indicated that the University was on course to meet the £6.8m target set in the sustainability review for savings and income generation, but the University still needed to tackle the additional shortfall of £4m, identified in 2006/7, as well as those emanating from the Scottish Government's Spending Review. In addition, there were two further rises under the 2006 national pay settlement. The first in May 2008 was fixed at 3% and had been budgeted for. The second in October 2008 was for an increase of the greater of 2.5% or RPI. With RPI currently running at around 4%, this could add an additional £1.2m to the University's cost pressures. The University had to find a way of addressing these pressures, although the Principal did not propose doing this by means of a second, University-wide sustainability review. The Senior Management Team and the Senatus would be dedicating meetings to this issue in January and February respectively.

In discussion, Court made clear that it was crucial that staff understood fully the situation and how it had developed if the University was going to be able to tackle the issue successfully. There was a good deal of discussion about the policies of the Scottish Government, and the Principal reported that a group had been set up between the Government and Universities Scotland to consider the future of Higher Education in Scotland.

25. FINANCIAL PLANNING

(1) Finance & Policy Committee

The Court received a report of the meeting of the Committee on 26 November 2007 (**Appendix 2**).

The Court decided: to approve the report.

(2) Financial Statements – Year ended 31 July 2007

The Director of Finance introduced the final audited accounts for 2006/7, which had been considered and recommended for approval by both the Finance & Policy Committee and the Audit Committee.

Income had risen by almost £12m (7.2%). Staff costs had risen by £8.3m (8.2%), which included a provision of £0.9m to cover the costs arising from the results of the HERA job evaluation exercise. There were two exceptional items of expenditure. The first, Exceptional Restructuring Costs, related to the cost of voluntary severance scheme applications approved before 31 July 2007. The second represented additional construction costs associated with Dundee Student Villages, resulting in a balance of £1,011k to be written off.

The statements showed an operating deficit of £5.9m. This was mitigated by a £7m gain on disposals (mainly of former residences), and the result was an overall surplus of £0.5m.

The University's fixed assets had increased by £35m as a result of the completion of a number of capital projects. Total creditors (<1 year) had also increased by £15.5m due largely to an increase in advance payments associated with research projects.

Of note in the Statement of Consolidated Total Recognised Gains and Losses was the actuarial gain of over £6m on the University of Dundee pension scheme. This related to improved investment returns and lower discount rates. This was reflected in the decrease in the net pension liability on the balance sheet.

In cash terms, the University's borrowings totalled £15m at the end of the year, which was better than had been expected, mainly as a result of large research income payments.

In discussion, one member asked about the position of Dundee University Press Ltd (DUP), which was forecast to break even by the end of 2007/8. It was acknowledged that this might be an optimistic forecast.

The Court decided: as recommended by the Finance & Policy Committee and the Audit Committee, to approve the Financial Statements for the year ended 31 July 2007.

(3) Voluntary Severance Scheme

The Director of Human Resources reported on the operation and success of the Voluntary Severance Scheme to date. The University had received 256 applications, of which 101 had been approved with

42 left to be considered. These were being actively monitored. Savings from the 101 approved applications amounted to £3.5m (£1.3m from academic posts and £2.2m from support posts).

In addition to the 42 still to be considered, a number of applications from staff whose posts were essential had been put on hold in the event that redeployment to backfill the positions might be possible. It was possible that ongoing restructuring in the College of Medicine, Dentistry & Nursing might free up some staff to enable such redeployment.

The Court discussed what might happen once the outstanding cases had been dealt with, and whether the scheme should be extended to try and attract further savings. It was clear that the University needed to maximise the savings that could be achieved from restructuring exercises that were ongoing around the University, but it was too early to be certain on how this could effectively be taken forward. The University would be in a better position to report on this to the meeting of the Court on 18 February 2008.

Court members raised a number of issues to be borne in mind, notably the motivation of staff who had been rejected under the scheme, the issue of the effects of change in working practice and the issue of ensuring that work is covered appropriately in areas where there have been a number of successful applications under the scheme. The Secretary made clear that the University was still subjecting requests for new or replacement posts to significant scrutiny.

The Court thanked the Director of Human Resources and the Pensions Officer for their hard work throughout the operation of the voluntary severance scheme.

The Director of Finance reported on progress with the implementation of the pension plus scheme, which would reduce employer and employee national insurance contributions. The local branch of the University & College Union had indicated that it wished to ballot members, and so the new target date for implementation of the scheme was 1 April 2007.

The Convener of the Finance & Policy Committee asserted that the Committee had to concentrate on both the income and expenditure of the University. In particular, projects should be monitored to ensure that the income predicted in original forecasts was in line with actual income once the projects were on stream.

26. **SUB-GROUP ON RESIDENCES**

The Secretary reported that this group, chaired by Mr Sanderson, had met on 26 November 2007 to discuss Dundee Student Villages' (DSV) plans for addressing the current position. There had been a useful discussion on marketing initiatives and the Secretary was able to inform the Court that

there were already 101 confirmed applications for accommodation from continuing students for 2008/9. Additionally, professional marketing support would be in place from 1 February 2008. Given the progress made, the Sub-Group did not feel it was necessary to meet again. Regular reports on the progress of DSV would be made through the Finance & Policy Committee.

27. STRATEGIC FRAMEWORK

(1) Approach to Performance Monitoring

The Director of Strategic Planning introduced a paper which outlined for Court members the proposed approach for reporting on the University's performance against the objectives and targets contained in the strategic framework. The document highlighted the twelve key performance indicators (KPIs) which would be given prominence in the main report and listed those institutions against which the University had decided to benchmark itself. At a recent Senior Management Team meeting, the inclusion of a further KPI addressing the University performance on environmental issues was agreed, and this would be included in the next report.

In discussion, Court members made a number of suggestions for improvement. In relation to taught postgraduate numbers, there was an appeal for the use of full-time equivalents rather than full-time numbers in order to capture the large amount of part-time, distance learning and continuing professional development activity at this level taking place across the University. Dr Marriage proposed that knowledge transfer should feature as one of the key performance indicators. There was a good deal of discussion about the most appropriate level of detail for the reports.

The Court decided: to approve the approach being taken, subject to consideration of the suggestions arising in discussion.

(2) Performance Monitoring Report

The Court received a report outlining performance against stated performance indicators and key performance indicators as set out in the strategic framework. The Court was concerned that in some of the qualitative indicators, the accompanying narrative did not always give an indication of the level of progress against targets. This was particularly the case for the KPI addressing the introduction of performance management for staff.

The Court decided: to note the report.

(3) Strategic Framework to 2012

The Court decided: commenting on how well it looked, to note the publication of the framework document.

28. **CONSTITUTION OF DUNDEE UNIVERSITY STUDENTS' ASSOCIATION (DUSA)**

The Court received for approval the revised constitution of the Students' Association. The revisions had been made in response to recommendations from the Office of the Scottish Charity Regulator and were designed to reduce the complexity of the document and bring it into line with changes in civil law and with the Charities and Trustee Investment (Scotland) Act 2005. In discussion, the President of the Students' Association expressed concern at the low level of engagement by students in the work of the association and in student issues in general. It was noted that the Students' Association was now placing more emphasis on its pastoral role rather than solely on its commercial activities; this was bringing benefits in student representation, but there was still some way to go.

The Court decided: subject to careful proofreading, to approve the new constitution of Dundee University Students' Association under the terms of Statute 19 – Students' Association.

29. **GRADUATES' COUNCIL REGULATIONS**

The Court received a paper from the Business Committee of the Graduates' Council proposing amendments to Ordinance 20 – Graduates' Council as well as to the Graduates' Council Regulations. The amendments related to the proposed introduction of e-voting in the election of Graduates' Council Assessors to the Court, as well as to the mechanism for appointing Assessors in the event of a casual vacancy in either post or of the failure to elect an Assessor. Additionally, the Business Committee proposed changes to its own composition.

The Court decided: (i) subject to consultation with the Senatus and to ratification at a subsequent meeting of the Court in accordance with the terms of the University Charter, to approve the proposed changes to Ordinance 20 (**Appendix 3**);

(ii) subject to minor amendment, to approve the proposed changes to the Graduates' Council Regulations (**Appendix 3**).

30. COMMUNICATIONS FROM THE SENATUS ACADEMICUS

The Court received a report from the meeting of the Senatus on 5 December 2007 (**Appendix 4**).

The Court discussed the competing merits of the proposed names for the New Teaching Block. The Court noted that the Senate was in favour of 'Dalhousie', but itself preferred 'Patrick Geddes', particularly given Geddes' innovative work in the field of education.

- The Court decided:**
- (i) to note the University's response to the Scottish Funding Council consultation on the report of the Joint Quality Review Group (SFC/04/2007C);
 - (ii) to defer the decision on a name for the New Teaching Block;
 - (iii) otherwise, to note the report.

31. CAMPUS SERVICES COMMITTEE

The Court received the report of the meeting of the Committee on 13 November 2007 (**Appendix 5**).

In relation to the Estate Strategy, which the University planned to submit to the Scottish Funding Council in the New Year, Court members expressed the desire to receive a presentation from the Director of Campus Services at its next meeting. The strategy was itself currently in draft form, and it was intended to convene an earlier meeting of the Campus Services Committee in the New Year to consider a final draft before it could be presented to the Court at its meeting on 18 February 2008.

The Court decided: to approve the report.

32. AUDIT COMMITTEE

The Court received the report of the meeting of the Committee on 3 December 2007 (**Appendix 6**).

The Convener of the Audit Committee presented the Committee's Annual Report to Court, which would also be submitted to the Scottish Funding Council. He reported that the Committee had been pleased by the tremendous improvements in financial reporting over the past twelve months, and praised the industry of the Finance Office in this achievement. The one remaining concern for the Audit Committee was the operational progress of Dundee Student Villages, and the Court agreed that this needed to be monitored carefully.

- The Court decided:** (i) to approve the Committee's annual report for 2006/7 (**Appendix 6 - Annex**);
- (ii) to note that tenders were being sought for the provision of external audit services, and to await the Committee's recommendation for its preferred provider in due course, following evaluation of the tenders submitted;
- (iii) otherwise, to approve the report.

33. **DELEGATION OF POWERS FOR EXECUTION OF DOCUMENTS ON BEHALF OF THE UNIVERSITY**

The Court decided: to approve the execution of documents by those authorised by the Court on 23 October 2006 in terms of the Schedule of Delegation and Decision-Making Powers.

34. **GOVERNOR DEVELOPMENT PROGRAMME**

The Chairman brought the prospectus of the Governor Development Programme from the Leadership Foundation for Higher Education to members' attention, asking them to contact the Clerk to Court if they wished to attend any of the events. The University would cover the cost of attendance.

35. **DISCLOSURE SCOTLAND CHECKS FOR GOVERNING BODY MEMBERS**

Members noted the requirement to undergo Disclosure Scotland checks and undertook to complete the requisite application form and to provide identification.

36. **STAFF**

(1) Professorial and Other Grade 10 Appointments

The Court noted the appointment of the following:

Dr Peter Gregor	Personal Chair of Interactive Systems Design	1 June 2007
Tracy MacKenna	Personal Chair of Contemporary Art Practice	1 June 2007
Nigel Johnson	Personal Chair of Interactive Arts	1 September 2007
David Collison	Personal Chair of Accounting & Society	1 December 2007

(2) Discovery Days 2008

The Chairman brought the programme for the Discovery Days on 10 and 11 January 2008 to members' attention and strongly encouraged them to attend this event. This was an opportunity to see at first hand the breadth of research carried out across the University.

37. **VALEDICTION**

The Chairman thanked members for their work and contributions at Court and in Committee throughout the year, and extended good wishes to all for Christmas and the New Year.

APPENDIX 1

PRINCIPAL'S REPORT
(Minute 24)**Finance and Policy**

The 2007 Comprehensive Spending Review and the Scottish Government's budget have delivered a disappointing result for Scottish universities with very limited real terms growth over the three years 2008-2011, assuming inflation of 2.7 per cent. The overall position is set out in the Universities Scotland circular sent to members of Court on 23 November 2007.

This adds further pressure to the budget forecast agreed by Court in June 2007 with an additional budget shortfall estimated at £1.4m in 2008/9 and £1.3m in 2009/10, depending on the resource allocation policies adopted by the Scottish Funding Council (SFC). Capital increases are expected to be in line with our forecast of a £3.9m allocation in both 2008/9 and 2009/10, dependent on the extent of top slicing adopted by SFC.

Progress against budget in the current year is satisfactory with some continuing concerns about tuition fee income, offset partly by a strong research performance. The scale of change now required to move towards breakeven and then to a 3% surplus target is even more significant than before. If it is to continue to grow and develop, the University must face the very real prospect of a medium term future where it has a much lower dependence than now on public funding allocated through SFC. This prospect will be tackled in the coming months. The Court is asked to note the current position and to expect further proposals for change in the Spring/Summer of 2008.

Research and Enterprise

The Research Assessment Exercise has dominated academic life for some time now and it was with great relief that the University's submission was completed and submitted on 28 of November. We can be broadly satisfied with the picture it presents. Vice Principal Professor Boxer who has led on this initiative, will have more to say on this. As expected in an exercise of this nature, the process has highlighted some areas in which challenging issues require to be addressed, but it is clear that the submission shows an improvement on our 2002 position and we expect that to be reflected in the ultimate results. I would like to take this opportunity to thank staff across all disciplines for the hard work they have put into this submission over a sustained period. Particular thanks to David Boxer, and to his team who have worked tirelessly in meeting the deadline.

Preparations for the successor to the RAE are already beginning with a move towards the use of citations in the sciences as a key metric. In that context we are particularly pleased to note the recent publication of a range of tables showing Dundee's performance on research impact.

For the impact of its research over the last 10 years as measured by the number of citations per paper (Institute of Scientific Information, Philadelphia)

University of Dundee	UK	EUROPE
Pharmacology & toxicology	1st	1st
Biology & biochemistry	1 st university	2 nd
Molecular biology & genetics	2 nd (Oxford first)	4th

From a different set of data, based on the *Thomson Scientific Index*, and published in the Guardian, Dundee ranked top university in the UK for research impact, surpassed only by the Institute of Cancer Research.

The University of Dundee was placed number 171= in the THES-QS World Rankings 2007 – our first appearance in the top 200 and the fastest rising Scottish university (up from 238th).

The University ranked once again in the world's top five places to work (outside the USA) in an international poll of scientists carried out by the *Scientist* magazine.

A new Tissue Culture laboratory has been formally opened within the TICC complex at Ninewells making a valuable addition to research facilities. The laboratory, which was generously funded by patient Walter Craig, will allow researchers to test potential cures on small sections of cells.

The Scottish Research Partnership in Engineering (SRPE), which includes Dundee as part of its Northern strand, was launched in November. SRPE has funding of over £26.5 million from the Scottish Further and Higher Education Funding Council (SFC), and a further £100 million co-invested over five years by the ten collaborating universities. The partnership will enhance the position of Scotland as a world class centre for engineering research by pooling expertise, resources and industry links.

Learning and Teaching

The Wellcome Trust announced its backing for two major post graduate programmes at the University including a new three year PhD for clinical scientists which forges important new links between the College of Life Sciences and the School of Medicine.

The £6m Library extension is now in use, providing new space for teaching and research rooms, e-learning areas, study areas and a glass fronted 'Internet café'. Over the coming year, with the completion of a new entrance way, the main aspect of the library will shift to look out onto Cross Row as part of the overall campus plan.

The University conferred Bachelor of Nursing degrees on 30 distance learning students at a graduation ceremony in Asmara, the capital of Eritrea, in October. This is the second cohort to graduate through this programme, which also includes face to face teaching, contributing significantly to the development of professional health skills in this war torn country. A third cohort of students is already enrolled.

The School of Nursing & Midwifery has been awarded a £60k grant by the British Council to work with the National University of Lesotho, Africa to develop education, research and information technology skills for healthcare and library staff.

The University of Dundee became the first higher education institution in Scotland to 'go paperless' by adopting the online UKPASS system for postgraduate applications, removing a massive amount of paper from the system.

The award winners from this year's Honorary Graduates Innovative Teaching Award will give presentations to their peers at a special event on 13 December designed to share best practice in learning and teaching. The three 2007 winners are Mr Graham Pullin, School of Computing & School of Design, for 'The Museum of Lost Interactions'; Mrs Hannah Whaley, Learning Centre, for 'Groupwork Assessment System' and Dr Martine van Ittersum & Dr Matthew Ward, School of Humanities (History), for 'Weblogs in History Teaching'.

Awards

Recently qualified postdoctoral researcher Sander van Kasteren was one of 20 of the UK's brightest and most promising young biomedical scientists to be awarded one of the first Sir Henry Wellcome Postdoctoral Fellowships. The quality of applications was exceptional. Dr Kasteren will explore the way vaccines are processed by our immune system.

The New Teaching Block, Old Hawkhill has been named Best Public Building of the Year by the Dundee Institute of Architects.

In the Times Higher Awards 2007 presented on 30 November the University was shortlisted for two awards including Outstanding Support for Overseas Students 2007. The elements we scored the highest on were the Students' Union, Counselling and the Finance Office. The University was also shortlisted for the Literary Festival launched in June.

Matthew Dalziel & Louise Scullion at DoJ have won their second Saltire Society Arts & Crafts in Architecture Award for their permanent video installation at the new headquarters of HBOS in Edinburgh and they are also the only British artists to be short listed for the prestigious Artes Mundi Prize.

In a year described as a 'vintage period for history by Scottish writers', Vice Principal Professor Christopher Whatley was joint winner of the 2007 Saltire Award for Scottish History Book of the Year with *The Scots and the Union* while Dr David Robb won the Best Research Book category with his literary biography *Auld Campaigner: A life of Alexander Scott*.

PhD student and 3D graphic artists John McGhee has been nominated as a Morgan Stanley Great Briton of 2007. John, who lectures at DoJ has been nominated in the Science & Innovation category recognising outstanding achievement over the last year for his development of a series of 3D computer animation tools for use in health areas.

Events

US Ambassador to the Court of St James's, the Hon Robert Tuttle delivered the annual lecture of the Institute for Transatlantic, European and American Studies in November on *Transatlantic Relations, International Agenda*.

International issues also featured on St Andrews Day when the University started a series of Dundee International Conversations designed to share, enhance and develop our international activity and the pursuit of an Internationalisation Strategy.

A major lecture with the title, *Why Evolution is Right and Creationism is Wrong* - was delivered to a full house on 1 December by Professor Steve Jones who holds the Chair of Genetics at University College, London.

The Saturday Evening Lecture Series continues on 26 January with TV historian, Dan Snow on *Television History: A Contradiction?* The series includes author of *Wild Swans*, Jung Chang speaking on International Women's Day, 8 March.

Discovery Days are scheduled for 10 and 11 January with 31 of our newest professors delivering presentations on a wide range of topics. Guest Chairs are: Scotsman editor Mike Gilson and Lord Advocate Elish Angiolini. I would encourage Court members to use these days to build on your understanding of the University and to widen your network of University contacts and partners.

Alan Langlands
Principal & Vice-Chancellor

APPENDIX 2

FINANCE & POLICY COMMITTEE (Minute 25(1))

A meeting of the Committee was held on 26 November 2007.

Present: Mr BWM Johnston (Convener), Principal Sir Alan Langlands, Mr WI Ball, Professor A Burchell, Mr JR Milligan, Mr EF Sanderson, Mr IDM Wright.

In Attendance: Mr MPF Bogunovic (President of the Students' Association), Secretary, Director of Finance, Deputy Director of Finance, Director of Strategic Planning, Mr J Bishop and Ms A Martin (Ernst & Young, items 1 & 2 only) and Clerk to Court.

The Convener welcomed the external auditors to the meeting.

1. SUBSIDIARY ACCOUNTS

The Director of Finance provided the Committee with a brief update on the annual accounts for 2006/7 for each of the University's seven subsidiary companies: Amcet Ltd., Dundee University Press Ltd., Dundee University Project Management Ltd., Dundee University Sports Village Ltd., Dundee University Utility Supply Company Ltd., University of Dundee Nursery Ltd. and Dundee University Incubator Ltd.

It was noted that whilst Dundee University Press Ltd had posted a loss of £53k for 2006/7, the company was forecast to break even in 2007/8. It was also noted that Dundee University Project Management Ltd was used to manage major capital build projects as a means to recover VAT on associated professional fees.

The external auditors expressed the opinion that the University should review its subsidiary companies. Given that many were project related, it was debatable whether all were strictly necessary.

2. FINANCIAL STATEMENTS

The Director of Finance introduced the Financial Statements for the year ended 31 July 2007. He highlighted the increase in income of almost £12m (7.2%), which however included a provision of £0.8m for possible clawback of funds by the Scottish Funding Council in respect of a poorer than expected nursing intake in 2006/7, the full amount of which would only be clear following the January 2008 intake. There had been an increase in staff costs by £8.3m (8.2%).

It was noted that both depreciation and interest costs were down on the previous year; the first because of a change in the application method of the accounting policy (partly offset by lower grant release) and the second because of lower than expected borrowings in year.

The income and expenditure account contained two exceptional items of expenditure. The first, Exceptional Restructuring Costs, related to the cost of voluntary severance scheme applications approved before 31 July 2007. The second represented additional construction costs associated with Dundee Student Villages, resulting in a balance of £1,011k to be written off.

The statements showed a final deficit of £5.9m, mitigated by a £7m gain on disposals to a bottom line position of a £0.5m surplus.

Of note in the Statement of Consolidated Total Recognised Gains and Losses was the actuarial gain of over £6m on the University of Dundee pension scheme. This related to improved investment returns and lower discount rates. This was reflected in the decrease in the net pension liability on the balance sheet.

The University's tangible assets had increased by £35m as a result of the completion of a number of capital projects and with buildings therefore coming onto the books. Total creditors (<1 year) also increased by £15.5m due to an increase in payments in advance associated with research projects.

In response to a question from the Convener, the Director of Finance proceeded to provide an update on three outstanding VAT issues. Agreement had been or was in the process of being reached on the first two of these. The first was in relation to partial exemption in 2001/2 for which a provision had been made of £93k, with an agreement reached for £80k. The second related to a non-business appeal in 2003/4 for which a provision had been made of around £117k; this was broadly in line with the offer from HM Revenue & Customs. The last case involved VAT on professional fees associated with the construction of the Centre for Interdisciplinary Research for which a provision of £200k had been made. This matter would need further consideration and consultation with the University's VAT advisers on whether to proceed with the case.

The Convener invited the External Auditors to comment on the preparation of the financial statements and the year-end audit process. Mr Bishop began by emphasising the positive changes that had taken place in the University's accounting processes over the past year. In his view the provisions made in the accounts for voluntary severance decisions, nursing clawback and changes as a result of the HERA job evaluation exercise were appropriate and based on reasonable assumptions. He commented on the FRS17 assumptions and indicated that external auditors generally were watching these developments closely. He noted the transactions around Dundee Student Villages, indicating that the University should review the progress of the vehicle on a regular basis. Overall he was content that the accounts were in order, and stressed again the improvements made over the year, in particular the fact that his team had been able to begin the audit almost three weeks earlier than in previous years.

There were some minor suggestions for improvement to the wording of the statements, which the Director indicated he would address in advance of the Audit Committee meeting on 3 December 2007.

Resolved: subject to the inclusion of minor amendments, to recommend to the Court that it approve the Financial Statements for the year ended 31 July 2007.

3. MINUTES

Resolved: to approve the minutes of the meeting on 8 October 2007.

4. MATTERS ARISING

(1) Voluntary Severance Scheme (Minute 5(2))

The Director of Finance provided an update on the progress of the voluntary severance scheme. To date 196 applications had been considered of which 81 had been approved and 79 rejected, with 36 on hold or pending decision. There remained around 100 applications still to be considered, and it was hoped to have made decisions on most of these before the Court meeting on 17 December 2007. The full-year savings represented by the approved applications so far amounted to £2.6m. Total costs so far amounted to £2.5m of which £1.2m had been accounted for in 2006/7. A review of the 36 applications on hold was required to see whether redeployments within the institution could allow these applications to be approved.

Members raised the issue of the scheme to reduce national insurance contributions, which had also been recommended in the sustainability review. The Committee learnt that discussions had taken place with all the unions, two of which were happy with the proposal. The academic union, DUCU, was more circumspect and was considering whether there was a need for a ballot of members.

(2) Dundee Student Villages (Minute 6)

The Committee received two papers on Dundee Student Villages (DSV). The first outlined the history of the project as well as providing an explanation of increased construction costs, the second outlined proposals considered by the Board of DSV to reduce costs and increase occupancy in the residences.

(a) Project Review

The Director of Finance presented a paper which documented the build process of the DSV project as well as the mechanism for reporting the progress of the project to both the Committee and the Court. The conclusion of the report was that during the build phase a number of reports were presented which did highlight the increased construction costs however some of the figures quoted were perhaps not always clear or consistent, for example the overspend number reported in the Capital Programme report was shown as a net figure. DSV was a complex model with cash inflows and outflows and the existing capital reporting was not really designed to cover such a venture. The Director also stated that the report was based on formal minutes and papers and therefore did not take into account any wider discussions for which the detail was not recorded. The recommendation for any future similar venture was that the reporting lines and accountabilities must be clearly defined as part of the approval of the project.

The Committee thanked the Director for the report, which had clearly taken some time and effort to produce.

In discussion, Mr Wright made clear that he had concerns about figures contained in the financial statements for 2004/5 and in a subsequent report to the Court in April 2007, which did not appear to present a complete picture in terms of the effects on the deferred income balance of the project overruns, based on the information available.

The Principal accepted that the reporting on this particular project should have been much clearer. The overruns themselves had arisen as a result of higher than expected tenders during a construction boom in Dundee, coupled with increasing costs of raw materials. The Principal and the Convener both emphasised, however, that the increasing construction costs had at all times been allowed for in the regular updating of the University's cashflow projections.

- Resolved:**
- (i) to note that the reporting throughout the project could have been clearer;
 - (ii) to agree that, if such a project were repeated, an appropriate reporting mechanism would be agreed in advance;
 - (iii) to agree that, having received the paper from the Director of Finance, the Committee was now happy that all the relevant information had been presented and appropriate lessons learnt and would now concentrate on ensuring the future success of the project.

(b) Court Sub-Group

The Committee received for information a paper considered by the Court Sub-Group (DSV residences) meeting earlier that day. The paper set out conclusions reached by the DSV Board on ways to revise the financial model which underpinned the operation of the DSV residences. The Sub-Group had been broadly satisfied with the proposed revised model, the most significant elements of which were a lower target occupancy of 90%, reduction in annual fees to Sanctuary Management Services of c£250k, a less aggressive rent escalator and the introduction of 39-week lets from 2009-10 (this last associated with the University's retention strategy). The Sub-Group had proposed that an external organisation should audit the revised model.

- Resolved:**
- (i) to ask the Director of Finance to consider identifying a single person in the Finance Office to be responsible for DSV;

- (ii) to ensure that there was consistent reporting on the progress of DSV.

5. **MANAGEMENT ACCOUNTS – PERIOD 3**

The Director of Finance presented the period 3 management accounts, which were showing £1m favourable variance on budget to date. However, the full-year forecast was for a £3.6m operating deficit before voluntary severance costs. This represented an adverse variance of £0.6m against the annual budget. The Colleges of Art, Science & Engineering, Life Sciences and Medicine, Dentistry & Nursing were broadly on track to finish the year on budget, whereas the College of Arts & Social Sciences would have to address a recruitment shortfall, and the Student & Academic Support Services (SASS) would need to offset expected losses resulting from the late opening of new facilities at the Institute of Sport & Exercise. The projected capital expenditure had risen to £27m as one project had been accelerated due to grant requirements. The cash position was still tight, but was helped by the recent announcement of an additional £2.8m from the Scottish Funding Council (SFC) through the Learning & Teaching Infrastructure Fund.

The Principal added that the University was still exercising tight discipline on staff recruitment and spending.

6. **FINANCIAL SETTLEMENT**

The Convener asked the Principal to comment on the recent announcement by the Scottish Government of its spending plans for 2008 onwards, and on the general financial environment currently facing Scottish Universities.

The Principal began by explaining the 2008 salary increases, the last to emanate from the 2006 pay negotiations, and their effects on the University's financial position. A 3% increase would be introduced in May 2008 with a further increase in October 2008 of the higher of 2.5% or RPI. With the RPI currently running at 4.2%, this could become an additional pressure in 2008/9. The next increase would likely be in August 2009. It was to be noted that every 1% increase on pay added roughly £800k to staff costs.

The Principal then explained the effects of the new Scottish Government's spending plans. Taking out the effects of inflation, the proposed plans would mean growth rates in University funding for the three years from 2008/9 of -0.2%, +1.4% and +1.7%. The University had based its forecasting on an average growth rate of 1.5%. The expected impact of the settlement on the University's income as compared to plan would be in the region of £1.3m in 2008/9 and £1.4m in 2009/10. There might be more capital funding available but this would depend on how the budget was allocated and the amount that was ring-fenced.

It was clear that the next few years would not be easy. The University would have to be particularly rigorous in its operational and financial planning.

7. **FINANCIAL MANAGEMENT RESPONSIBILITIES**

The Director of Finance presented a paper which had been approved by the Senior Management Team and which set out the basis for clarifying financial responsibility within the institution. The Senior Management Team had agreed that the responsibility for college (or SASS) financial plans rested with the College (or SASS) which would then agree plans and targets with the Schools (or Directorates). This system would be underpinned by a series of meetings throughout the year between the College Management Team and the Director of Finance, Secretary and Principal to review budget proposals as well as performance and future plans.

The Principal made clear that the University had to avoid a three-tier system of management. The challenge was to motivate schools and Deans in particular to feel part of the corporate body of the institution. The paper as presented was the first stage in a developmental process.

8. **FEES AND SCHOLARSHIPS**

The Secretary introduced a paper setting out the proposed levels of fees and scholarships for 2008/9. Since distribution to the Committee, some minor amendments had emerged which

would be addressed. There was general support for the fee packages for postgraduates, which linked tuition fees with residence costs.

Resolved: subject to minor amendments, to approve the fees and scholarships for 2008/9 as presented.

9. **CRC & TMRC UPDATE**

The Director of Strategic Planning provided the Committee with an update on the two Ninewells projects.

The Clinical Research Centre (CRC) Programme Board had now met for the third time, and minutes were available for any member who wished to see them. The CRC building would be substantially complete by the end of 2007, and decisions had now been taken on most outstanding matters, allowing the installation of the MRI scanner to take place in January and February. The remaining issue of the PET/CT scanner was being addressed by Professor Leigh, Head of the College of Medicine, Dentistry & Nursing. A competitive bid had been submitted to the Wellcome Trust for a project to use the top-floor of the CRC.

Construction on the TMRC Research Centre was progressing quickly and completion was anticipated by October 2008. The current value to Dundee of projects approved under the TMRC now stood at £3.3m.

10. **UNIVERSITY PROCUREMENT**

The Director of Finance provided an update on the current situation with regard to procurement within the University. The University had lost its procurement manager to Advanced Procurement for Universities and Colleges (APUC), a company established by the Scottish Government to transform procurement in the HE and FE sectors. The aims of APUC included the further development of collaborative procurement and the implementation of an e-procurement system. The University had now piloted the e-procurement system in the College of Life Sciences, and this would next be rolled out to the College of Arts & Social Sciences with the intention of a complete roll-out by July 2008. The system will allow commitment accounting with a direct feed to the finance system. One effect of this should be to improve year-end forecasting of non-pay expenditure.

The procurement manager had not been replaced since her departure, as a result of the vacancy freeze, but this was clearly an important role for an organisation of the size of the University, and the Director of Finance would be making the case for her replacement in due course.

APPENDIX 3

GRADUATES' COUNCIL AMENDMENTS (Minute 29)

Ordinance 20 – Graduates' Council

2. In any year in which an Assessor on Court falls to be elected, the election shall be conducted according to procedures laid down in the Graduates' Council Regulations.

Graduates' Council Regulations

(Note: Regulations made under Ordinance 20)

1 The Secretary of the University shall maintain a register of members of the Graduates' Council recording their full names, addresses, degrees and year of conferment of their first degree. This duty is disapplied to the extent that (1) such information may be unavailable; (2) any consent required by law or by any code of practice, etc of individuals is not forthcoming for any reason; (3) where compliance with this duty would breach data protection or other legislation, regulations or case-law.

2 The register may be consulted only to the extent, if any, permitted under data protection or other relevant legislation, regulations or case-law.

3 Notices of all meetings of the Council shall be advertised by the Secretary not less than twelve weeks before the dates of the meetings by such advertisement in the public press as the Business Committee may decide. The notices shall call for nominations for any vacancies to be filled by election and for any other competent business for the meeting to reach the Secretary not less than four weeks before the dates of the meetings.

4 The papers for each meeting shall be available to all members of the Graduates' Council not less than two weeks before the date of the meeting.

5 Twenty members of the Graduates' Council shall form a quorum.

6 The Chairman shall have a deliberative vote and in the case of an equality of votes the Chairman shall also have a casting vote, provided that this Regulation shall not apply to votes for elections.

7 Every matter of business except where otherwise specially provided shall be determined by the majority of members present and voting on the matter.

8 The Chairman shall determine all matters of competence and relevancy. When a point of order is raised the Chairman shall rule at once. When the Chairman's ruling is challenged, he shall ascertain the mind of the Council by a vote taken without debate.

9 The Chairman shall have power to adjourn a meeting, provided that only unfinished business shall be transacted at an adjourned meeting.

10 The Graduates' Council shall appoint a Business Committee with the following membership:

The Principal or his/her nominee selected from the Vice Principals (ex officio)

The Chairman of the University Court (ex officio)

The Graduates' Council Assessors on the University Court (ex officio)

The Convener of the Business Committee (ex officio)

Six members of the Council to be elected at the annual meeting of the Council.

President of DUSA or his/her nominee

Such other persons, not exceeding three in number, as may be co-opted from time to time by the Business Committee.

11 (1) The period of office of the elected members of the Business Committee shall be three years at the end of which they shall not be eligible for re-election until the lapse of one year. The retiring Convener, however, shall be eligible for immediate re-election.

(2) The period of office of members co-opted in terms of Regulation 10 shall be two years. Such co-opted members retiring shall be eligible for further co-option provided that no co-opted members shall serve continuously for more than four years in that capacity.

12 (1) The Business Committee shall at the meeting next before the annual meeting of the Council elect a Convener from its own membership, the period of whose office shall be one year from the date of the

annual meeting of the Council. The Convener shall be eligible for re-election provided that no Convener shall serve continuously for more than four years.

(2) If the member elected Convener would otherwise not be due to retire from the Business Committee at the next annual meeting of the Council, his or her election shall be deemed to create a vacancy, which may be filled by co-option.

(3) The Business Committee may at any time appoint a Vice-Convener from among its members. The period of office of the Vice-Convener shall be fixed by the Business Committee but shall not exceed the period for which the person appointed would otherwise have served as a member of the Committee.

(4) In the absence of the Convener and the Vice-Convener, if any, from any meeting a Chairman for the time being shall be elected by the meeting.

13 Three new members of the Committee shall be elected each year. A casual vacancy may be filled by cooption at any meeting of the Business Committee and the person co-opted shall be a member for the unexpired period of office of his or her predecessor.

14 Elections for the Business Committee shall be held at the annual meeting of the Council. The Secretary shall invite nominations in the press notices for the annual meeting as well as in the papers issued therefor. Nominations may be made by a proposer and seconder in writing accompanied by the candidate's consent in writing and shall reach the Secretary before the hour of the annual meeting. Nominations duly proposed and seconded of persons present may also be made at the meeting. The election shall be by ballot on voting papers provided at the meeting. In the event of a tie the elections shall be decided by the drawing of lots.

15 Five members of the Business Committee shall form a quorum.

16 The Secretary of the Graduates' Council shall be responsible for providing secretarial services to the Business Committee.

17 The Business Committee shall deal with any matters on behalf of the Council and may act on behalf of the Council and report thereon to the Council. The Committee shall frame the programmes of business to be submitted to Council subject to the addition of items received in terms of Regulation 3. The Business Committee shall have the power to establish an Executive Sub-Committee or other Sub-Committees to act on its behalf.

18 The Business Committee shall define the limits of the powers of the Sub-Committee which shall report on the exercise of the powers to the Committee.

19 When a vacancy is due to occur in the office of the Council's Assessor on Court the Secretary shall intimate this in the business paper for the annual meeting immediately preceding the annual meeting at which the election will take place. Nominations shall be made by the proposer and seconder in writing accompanied by the candidate's consent in writing to the nomination, and shall reach the Secretary by the 31st December preceding the annual meeting at which the election will take place. An electronic ballot form, containing the names and designations of nominees, proposers and seconders will be available, for two months prior to the annual meeting, by accessing University of Dundee Alumni Online Community, by means of which voting will take place. For those without internet access, a postal vote will be available, on request. In this event, online voting will no longer be available as an option. Voting will close at 12 noon on the last working day preceding the date of the Annual Meeting and ballots will not be accepted after that deadline, nor at the Annual Meeting itself.

20 The Secretary shall act as Returning Officer and a report of votes obtained through electronic voting will be made available to the meeting. Any additional votes obtained through postal ballot will be counted at the meeting and added to the total of electronic votes. The person receiving the highest number of votes will be declared elected. In the event of an equality of votes the Assessor shall be chosen by lot from among those persons receiving the same number of votes.

21 In any year in which no nomination for Council's Assessor on Court comes forward by the deadline of 31 December preceding the annual meeting at which the election will take place, following consultation with the Secretary of the University, the Business Committee shall nominate a candidate who shall be appointed, subject to ratification by the University Court.

22 In the event of a casual vacancy for a Graduates' Council Assessor occurring, following consultation with the Secretary of the University, the Business Committee shall nominate a candidate who shall be appointed as Assessor, subject to ratification by the University Court, for the remainder of the term falling vacant.

23 These Regulations may be suspended (except insofar as doing so would result in a breach of data protection or other legislation, regulations or case-law) by a resolution passed by a two-thirds majority of members present and voting.

APPENDIX 4

COMMUNICATIONS FROM THE SENATUS ACADEMICUS (Minute 30)

1. PRINCIPAL'S REPORT

- (1) On the RAE, the Principal expressed his thanks to all who had been involved in preparations for the recent submission. He also reported that an SFC consultation document on future RAE arrangements entitled 'Research Excellence Framework' had been received and that the web address would be circulated to Senate members.
- (2) On the Learning & Teaching front, it was noted that it was hoped to complete the new Library extension just before or just after Christmas and that University staff had been particularly prominent in this year's Saltire awards.
- (3) On finance, the Principal reported on the disappointing outcome of the 2007 Spending Review for the Scottish Universities. The real terms increase of 2.9% over the three year period to 2011 assumed an inflation rate of 2.7% when the actual inflation rate was likely to be significantly higher. The position in 2008/9 was particularly difficult since there would be a real terms decrease in funding of 0.2% coinciding with the final element of the three-year pay deal of 2½% or RPI (whichever was higher). For Dundee, every 1% uplift in pay represented additional costs of c £900K.

The University's current position was a surplus of c £500K at the end of 2006/7 after taking account of around £7M worth of disposals with borrowings at around 50% of the limit set by the Court. Thus far in 2007/8, while there had been a significant drop in tuition fee income, there was a balancing increase in research income. For the next three years of the Spending Review period it was clear that the Scottish Government had taken the view that higher education was less important than other areas and there was no likelihood of a change of heart over its opposition to top-up fees. Clearly, the medium term outlook was one of considerable financial stringency and short-term manoeuvres would be insufficient to deal with the situation; the University community would need to consider more radical solutions and plan carefully during the period from January to the summer. As part of that process, the Principal proposed to devote a significant amount of time at the February meeting of Senate to considering the issues and potential ways of dealing with them.

- (4) On the new teaching block, the Principal invited members to think about a formal name. There had been two suggestions: the Geddes or Dalhousie (an ex-Chancellor) building and members were canvassed on their preference which was strongly in favour of Dalhousie.

The Senatus decided: to note the report.

2. LEARNING AND TEACHING COMMITTEE

The Senatus received a report of a meeting of the Committee held on 12 November 2007.

- (1) The Vice-Principal (Educational Development) drew members' attention to the draft response to the Quality Review Group on the future methodology to replace Enhancement-Led Institutional Review (ELIR).

In the course of discussion, the point was strongly made that it was inappropriate for the traditional roles of Senate and Court in the pre-1992 universities to be interfered with and that any future arrangements needed to clearly reflect and respect these roles and the way in which powers were delegated between the bodies.

- (2) On paragraph 5, members were invited to bring any anomalies and problems with regard to the UNISTATS website to the Vice-Principal (Educational Development).

The Senatus decided: to approve the report.

APPENDIX 5

CAMPUS SERVICES COMMITTEE (Minute 31)

A meeting of the Committee was held on 13 November 2007.

Present: Dr L A L Rolland (Convener), Professor S Unwin, Dr R Abboud, Professor S Gallhofer, Mr M Arnott, Mr M Bogunovic (President of the Students' Association).

In Attendance: Dr D Duncan, Mr D Yule, Mr G Davies, Mr R Kennedy, Ms C Blake, Mr L Morrison, Ms S Hamilton.

The Convener thanked Professor Unwin for convening the Committee meeting held on 28 September 2007.

1. MINUTES OF PREVIOUS MEETING

Resolved: to approve the minutes of the meeting on 28 September 2007.

2. CAPITAL PROGRAMME & CAPITAL REPORTS ON PROJECTS OVER £2M

The Head of Estates informed the Committee of the changes to the way the information was presented to provide improved consistency in reporting. He also advised that the financial information and latest projected spends had been submitted to the Finance & Policy Committee. The Committee gave their approval to the new format.

3. ESTATE STRATEGY

The Director of Campus Services gave a graphic presentation of what the Estate Strategy entailed. He advised that SFC required all Universities and Colleges to produce an Estate Strategy by the end of 2007 though a small amount of leeway is permissible.

The main themes of the report have evolved through an extensive consultation process. Top priorities from this exercise were our attitude to the environment (which will be the subject of a paper to the next Campus Services Committee) and the poor condition of parts of the Estate.

Following a Condition Survey of all Campus buildings by Drake & Kannemeyer, the University's backlog maintenance is estimated at £35m excluding VAT and fees.

It was agreed that there had to be a sizeable shift in the main focus of the Estate Strategy towards maintenance over the next few years.

Resolved: to present the draft Estate Strategy to Court in the near future.

4. BOTANIC GARDEN

The University Secretary provided the Committee with a verbal update. It was recommended to the University Court on 22 October 2007 that the Botanic Garden should be retained by the University but that University funding should be reduced over to years to £75k per annum and that the options for raising additional income and reducing our recurrent expenditure should be examined in more detail. Those recommendations were accepted by Court and have been publicised.

He reported that he and the Director of Campus Services had met with staff of the Botanic Garden and that it had been agreed that they should be represented on the botanic Garden Steering Group. The Group would also include representation from Dundee City Council, Dundee College and the Friends of the Botanic Garden.

5. FACILITIES MANAGEMENT REPORT

The Facilities Manager presented a paper which summarised the conclusions of a review of the Estates Facilities section. The purpose of the review was to examine the fitness for purpose of the Facilities section and to propose changes where necessary.

The Facilities Manager indicated that, compared to other Universities and outside service providers the Facilities section provides good value for money. In addition, we retain in-house specialists not available elsewhere in the marketplace.

The Convener queried whether there was scope for expansion of the in-house team. The Head of Estates advised that we had about the right levels of staff at present to cope with the base workload and additional work was contracted out. He believed that it is important to keep in touch with what the local market can offer as it acts as an incentive for us to look at our own costs and performance.

Members queried how we assessed whether we had the optimum number of staff and how we monitored this fully. The Head of Estates advised that this information was presently done by benchmarking and that an Estates Management System is about to be introduced into the Estates Office which will give more accurate factual and comparable information. This would allow us to ensure that the Facilities section was working to maximum efficiency.

It was acknowledged that Estates would now have to focus on the change of emphasis over the next year or two towards maintenance.

The Committee were supportive of keeping the in-house team at current levels due to their experience and knowledge and also because it is more cost effective than using external contractors for all work.

Priority areas are:

- (1) Efficient use of foremen and chargehands
- (2) Use of appropriate technology
- (3) Combining teams to ensure flexibility and efficiency
- (4) Individual performance management
- (5) Apprenticeships

Resolved: to keep the Committee advised of progress on Facilities Management.

6. CAMPUS GREEN

The Director of Campus Services reported that the consultation process for the Estate Strategy highlighted the attraction of having a Campus green. Despite financial constraints there is still a motivation to see something created in the heart of the Campus and £100k has been identified as a possible allocation with Grounds & Gardens acting as the main contractor to reduce cost.

With the opening of the Heathfield Car Park, the main car park at DUSA/QMB might now be closed and the Green commenced.

Committee members agreed that they would like to see the plans for the Campus Green going ahead.

Resolved: to discuss the proposal at a meeting of the Design Review Group.

7. ANY OTHER BUSINESS

- (1) Professor Unwin asked about the situation regarding the retail units at Heathfield and the University Secretary advised that discussions with one retail company were underway.

- (2) Future Agenda Items
 - (i) Estates Management Information
 - (ii) Backlog Maintenance
 - (iii) Environmental Task Force

APPENDIX 6

AUDIT COMMITTEE (Minute 32)

A meeting of the Committee was held on 3 December 2007.

Present: Mr R Burns (Convener), Mr J Barnett, Dr J Lowe, Ms A Newton, Miss J Thomson.

In Attendance: Principal Sir Alan Langlands, Mr BWM Johnston, Secretary, Director and Deputy Director of Finance, Mr J Bishop and Ms A Martin (Ernst & Young), Mr A Gray (PricewaterhouseCoopers) and the Clerk to Court.

1. MINUTES

Resolved: to approve the minutes of the meeting on 3 October 2007.

2. MATTERS ARISING

Disposals of Major Capital Assets (Minute 4)

The Secretary introduced a paper outlining the process for disposing of major capital assets. A number of factors affected the decision to dispose of an asset. The obvious factor was the non-use of a building, but the University's Estate Strategy was to concentrate activity on the City Campus through more intensive use of space, making peripheral properties, where practical, surplus to requirements. In the recent past many of these disposals had been former residences, which accounted for £18.5m of income to the University. Another issue affecting disposals was the cost of long-term maintenance on existing properties or the cost of ensuring buildings conformed to the requirements of the Disability Discrimination Act (1995). In some cases it had been more economical to dispose of the property.

The Secretary noted that, when considering a disposal, the University explored a range of different options to try and ensure the best value for the University, including for example joint ventures.

3. FINANCIAL STATEMENTS FOR YEAR ENDED 31 JULY 2007

The Committee considered the following documents in turn:

(1) Draft Financial Statements

In introducing the Financial Statements for the year ended 31 July 2007, the Director of Finance highlighted the increase in income of almost £12m (7.2%). This included, however, a provision of £0.8m for possible clawback of funds by the Scottish Funding Council (SFC) in respect of a poorer than expected nursing intake in 2006/7. The final amount of funds to be clawed back would be clear following the January 2008 intake. The reduction in the level of income from education contracts was primarily as a result of the move of nursing funding to the SFC, reflected in an increase in the SFC recurrent teaching grant.

There had been an increase in staff costs of £8.3m (8.2%). This included the provision of £0.8m to cover any salary changes as a result of the HERA job evaluation exercise, being carried out as part of the implementation of the Framework Agreement. This provision was based on an estimate of costs which was in line with that experienced at other HEIs. It was hoped that the exercise would be complete by March 2008, when final costs would be known. It was noted that the effects of changes in staffing numbers as a result of the sustainability review and the voluntary severance scheme needed to be fully reviewed once complete.

It was noted that both depreciation and interest costs were down on the previous year; the first because of a change in the application method of the accounting policy (offset by lower grant release) and the second because of lower than expected borrowings in year.

The income and expenditure account contained two exceptional items of expenditure. The first, Exceptional Restructuring Costs, related to the cost of voluntary severance scheme applications approved before 31 July 2007. The second represented additional construction costs associated with Dundee Student Villages (DSV), resulting in a balance of £1,011k to be written off.

The statements showed an operating deficit of £5.9m, mitigated by a £7m gain on disposals. The bottom line position was a £0.5m surplus.

The Statement of Consolidated Total Recognised Gains and Losses contained an actuarial gain of over £6m on the University of Dundee pension scheme. This related to improved investment returns and lower discount rates, and was reflected in the decrease in the net pension liability on the balance sheet.

The University's tangible assets had increased by £35m as a result of the completion of a number of capital projects and with buildings therefore coming onto the books. Total creditors (<1 year) also increased by £15.5m due to an increase in payments in advance associated with research projects.

The Director of Finance updated the Committee on progress with three outstanding VAT issues. The first was in relation to partial exemption in 2001/2, for which a provision had been made of £93k, with an agreement reached estimated to be £80k. The second related to a non-business appeal in 2003/4, for which a provision had been made of around £117k; this was broadly in line with the offer from HM Revenue & Customs. The last case involved VAT on professional fees associated with the construction of the Centre for Interdisciplinary Research, for which a provision of £200k had been made. Further consideration was needed before deciding whether to proceed with this case.

The Director of Finance outlined recent discussions at meetings of the Finance & Policy Committee and the Court Sub-Group on Residences about DSV and the proposals considered by the DSV Board to improve its position. A number of changes have been proposed to the DSV financial model these being a lower target occupancy of 90%, reduction in annual fees to Sanctuary Management Services of c£250k, a less aggressive rent escalator and the introduction of 39-week lets from 2009-10 (this last associated with the University's retention strategy). These changes would mean the model would be brought back into line with the original model. However it was also stated that although the occupancy target had been reduced there remained a high focus on exceeding this level. The Committee agreed that the important fact was that management action was being taken to address the position. The Secretary explained the extent to which the University had objected or was in a position to object to recent applications for new accommodation projects by other parties in the City.

The Committee briefly considered the financial statements of both DSV and its subsidiary, the West Park Centre Ltd. In relation to the latter, it was noted that despite its loss for 2006/7, it was nevertheless performing better than planned at this stage. The Committee discussed the basis for the calculation of the deductions in lease income to DSV to cover the obligations of Sanctuary Housing Association for repair, maintenance and operation of the residences.

Resolved: to recommend to the Court that it approve the financial statements as presented.

(2) External Auditors' Report

Mr Bishop prefaced the report by re-stating that the accounts were complex and required a good deal of interpretation and by thanking the staff in the Finance Office for their hard work and their preparedness for the audit. The auditors had been able to begin their work earlier than previously, and this was to be commended.

The audit had found that routine areas were operating effectively, and that therefore the auditors had concentrated their effort on those areas requiring a degree of subjectivity. The auditors had been satisfied that the provision in respect of voluntary

severance was appropriate, that the provision for the SFC clawback in respect of nursing under-recruitment was likewise appropriate and that the provision for the effects of the HERA job evaluation exercise was reasonable and fair. In relation to the last, the Committee agreed that the University shared the auditors' desire to bring the HERA exercise to a speedy conclusion.

The auditors also accepted the assumptions made in arriving at the actuarial gain in respect of the University of Dundee pension scheme and therefore the University's FRS 17 liability. With regard to DSV, the auditors were satisfied with its treatment in the accounts, while stressing that this was a non-routine transaction.

Resolved: to note the report.

(3) Draft Management Letter

Ms Martin introduced the letter, the main issue of which was the recommended regular monitoring of the progress of DSV by the University.

Resolved: to note the issues raised in the letter and to approve the requisite management responses also included.

4. **FINANCIAL STATEMENTS OF SUBSIDIARY COMPANIES**

The Committee considered the financial statements for the year ended 31 July for the University's seven subsidiary companies:

- (i) AMCET Ltd
- (ii) Dundee University Press Ltd
- (iii) Dundee University Project Management Ltd
- (iv) Dundee University Sports Village Ltd
- (v) Dundee University Utility Supply Company Ltd
- (vi) University of Dundee Nursery Ltd
- (vii) Dundee University Incubator Ltd

Resolved: to note the seven sets of statements.

5. **INTERNAL AUDIT**

(1) Review of Financial Management – Update

The auditors presented a review of progress in implementing their recommendations for improvement to the University's financial management, accounting and reporting systems. Good progress was being made on the action plan, with planned implementation on track. The Director of Finance confirmed that his team was working hard to address the issues raised.

(2) Internal Audit Programme – Progress Report

The Committee received a revised plan from the auditors on work for 2007/8. Two additional reports had been accommodated with subsequent re-organisation of planned days.

The Committee asked about the level of financial awareness in the Colleges and Schools and whether the auditors had a sense of this improving over the last year. The auditors planned to address this in the next quarter. The Principal reported that he had been impressed by the level of awareness shown at the three recent College review meetings.

Resolved: to approve the revised internal audit plan.

6. **PRIVATE MEETING WITH THE AUDITORS**

At this point all the University officers left the meeting to enable the Committee to conduct a private meeting with the internal and external auditors.

7. **ANNUAL REPORT OF THE COMMITTEE**

Resolved: to approve, subject to minor amendments, a draft annual report on the Committee's work in 2006/7 and on the work of the internal and external auditors for submission to the Court and the SFC (annex).

8. **RISK MANAGEMENT**

The Committee received a report of the Risk Management Monitoring Group's meeting on 6 November 2007.

Resolved: to note the report.

9. **HEALTH & SAFETY SUB-COMMITTEE**

The Committee received a report of the Sub-Committee's meeting on 18 September 2007.

Resolved: to note the report.

10. **LEGAL/REGULATORY COMPLIANCE MATTERS**

The Secretary reported that the dispute in relation to the sale of property on the Perth Road, discussed at previous meetings of the Committee, had now been resolved to the University's satisfaction.

11. **EXTERNAL AUDIT CONTRACT**

Following withdrawal of the auditors, the Clerk to Court reported that tender documents had now been issued to the firms identified at the meeting on 3 October 2007. Tenders were to be submitted by 11 January 2008.

Resolved: to ask the Clerk to Court to arrange a new date for the presentations by shortlisted tenderers as the original date was now unsuitable.

AUDIT COMMITTEE: ANNUAL REPORT 2006/7**1. MEMBERSHIP AND MEETINGS**

The Committee's membership for 2006/7 remained at six, with three lay Court members (Richard Burns, Janet Lowe and Willie Wilson) and three other lay appointees (John Barnett, Stephanie Brown and Jacqui Thomson). Following the departure of Bill Sutherland from Court at the end of July 2006, Richard Burns, recently retired senior partner of Baillie Gifford, was appointed to the Committee as its convener. From 1 August 2007 the place of Willie Wilson, who has retired from Court, was taken by Howard Marriage, and the place of Stephanie Brown was taken by Alison Newton. Both Howard and Alison are Court members. Collectively the Committee's membership possessed and possesses broad experience of commercial operations and financial management.

The Committee meets four times *per annum*, and the meetings for the year 2006/7 took place as follows:

26 September 2006
28 November 2006
6 March 2007
2 May 2007

Attendance by members was as follows:

		Sept.	Nov.	March	May
Richard Burns (Convener)	Court member	Y	Y	Y	Y
Janet Lowe	Court member	N	Y	Y	Y
Willie Wilson	Court member	Y	N	Y	N
John Barnett	Co-opted	Y	Y	Y	Y
Stephanie Brown	Co-opted	Y	Y	Y	Y
Jacqui Thomson	Co-opted	Y	N	Y	Y

Additionally, the Convener of the Finance & Policy Committee, Bruce Johnston, was regularly in attendance at meetings of the Audit Committee in 2006/7.

2. FINANCIAL STATEMENTS

It is proposed that the annual report of the Audit Committee will now include a review of the audit of the financial year just ended, whereas in past annual reports the focus has been on the financial statements of the year ended twelve months previously. To move to this model immediately would mean that the Court would not receive a report on the audit of the year ended 31 July 2006, so a brief report is included here, before a fuller report on the year ended 31 July 2007.

Year ended 31 July 2006

The Committee received draft financial statements for the University at its meeting on 28 November 2006, following their approval by the Finance & Policy Committee. Having considered the report of the external auditors (Ernst & Young), the Committee recommended to the Court that the financial statements should be accepted. The Committee also approved the auditors' draft management letter and the associated management responses. The most significant issues of which were the robustness of budgetary controls, including expenditure from departmental reserves, financial forecasting and the financial statement close process. The audit committee undertook to examine closely these areas throughout the rest of the year (2006/7) (3. Internal Audit below refers).

Year ended 31 July 2007

The Committee received draft financial statements for the University at its meeting on 3 December 2007, following their approval by the Finance & Policy Committee at its meeting on 26 November 2007. The Committee also received a report from the external auditors (Ernst & Young). Their report raised the following points:

- that the auditors concurred with the treatment of the provision in the statements of £1,106k for 2006/7 in respect of the Voluntary Severance Scheme;
- that the auditors concurred with the full provision of £764k in respect of anticipated clawback to the Scottish Funding Council as a result of low recruitment to the pre-registration nursing course in 2006/7;
- that the auditors concurred with the assumptions and treatment of the actuarial gain of £6,044k in respect of the University's FRS 17 pension liability;
- that the auditors considered reasonable the provision of £851k in respect of the estimated cost of accruals resulting from the HERA job evaluation exercise being carried out as part of the implementation of the Framework Agreement, although they expressed concern at the length of time being taken to complete the exercise; and
- that, in light of increases in the cost overrun and operating shortfall on Dundee Student Villages (DSV), the auditors recommended that the University continue its detailed review and monitoring of the performance of the company and effectively manage the risk to the University.

The external auditors indicated that they anticipated issuing an unqualified opinion in respect of the consolidated accounts of the University and in respect of the subsidiary companies accounts. Having considered the report of the external auditors, the Audit Committee resolved to recommend to Court that the financial statements should be approved. The Committee also approved the auditors' draft management letter and were satisfied by the associated management responses.

3. INTERNAL AUDIT

Financial Management

Following on from concerns raised during the external audit of the 2005/6 financial statements, as well as in the internal auditors' annual report for year ended 31 July 2006, and in consequence of in-year difficulties in the financial position of the University, the internal auditors (PricewaterhouseCoopers) undertook a detailed assessment of financial management, financial reporting and financial accounting arrangements. Their report, presented to the Court at its meeting on 19 February 2007 and subsequently to the Audit Committee, identified a number of areas for improvement and set out a detailed action plan with specific recommendations. The action plan included a detailed six-month review of the financial position (hard-close) by the external auditors, which, whilst likewise making some recommendations for improvement, nevertheless concluded that the University's processes were robust.

The internal auditors followed up their Financial Management report with a Business Process Review in Support of Long-Term Financial Sustainability in May 2007 as well as with progress updates in October and December 2007. These updates reported on the degree of implementation of the recommendations made in February and May. Many recommendations have been wholly implemented and work on a number of others is still ongoing. The changes have made wide-ranging improvements to the way the University carries out financial management, as well as to the quality of its financial reporting to the Senior Management Team and the Court.

The Audit Committee has taken a rigorous approach to overseeing the implementation of the recommendations emanating from the internal auditors' report as well as the external auditors' review of the six-month hard-close and is satisfied that the University has taken sufficient steps to address substantially the points raised by them, and it continues to monitor progress against the recommendations still outstanding.

Annual Statement of Assurance

The internal auditors concluded that, with the exception of the matters raised in their reviews of financial management (see above), the University's established internal control procedures were adequate to meet the control objectives. In relation to financial management, they were

satisfied with the University's action plan to address the auditors' recommendations and noted that a number of improvements had been made.

Other reports

During 2006/7 the Committee also received reports on the following internal audit assignments with recommendations graded as shown. Each report was considered in detail, with the auditors and officers addressing comments and questions from Committee members.

	Critical	High	Medium	Low
Capital Project Management Arrangements	-	3	3	-
Facilities	-	-	4	2
Financial Management of Research Contracts	-	-	8	4
Fraud Arrangements	-	-	5	-
ICS: Governance Arrangements and Software Licensing	-	2	6	-
Procurement	-	1	3	1
Risk Management Arrangements	-	2	3	-
Students' Association	-	1	5	1
Transparent Approach to Costing (TrAC)	-	-	2	-
Treasury Management – Cash Flow Management Arrangements	-	2	4	-
TOTAL	0	11	43	8

Follow-up Review

The auditors carried out a review of the status of implementation of recommendations made in its reports conducted in 2005/6. The key areas where there had been delay in implementation were budgetary controls and human resource issues. The former were included in the review of financial management and therefore were addressed as part of the action plan as detailed above. For the latter, the Audit Committee agreed, because of the intensity of workload, to reschedule implementation deadlines.

4. **EXTERNAL AUDIT SERVICES TENDER**

In January 2007, the Committee invited tenders for the provision of external audit services, but later, as a result of the University's difficult financial position, it decided to defer the tender for twelve months, re-engaging Ernst & Young for an additional year. At its meeting on 3 October 2007, the Committee agreed the terms for re-commencing the external audit tender process, and invitations to tender have now been issued for a period of three years beginning with the year ending 31 July 2008.

5. **RISK MANAGEMENT**

The Committee received regular reports from the Risk Management Monitoring Group and oversaw the review of the institutional risk register, proposing additional risks addressing the issue of financial sustainability. It also approved the development of revised guidelines for the management of crises.

6. **OPINION**

Auditors

The Committee has been broadly satisfied with the performance and diligence of both internal and external auditors. The Committee appreciates the additional work carried out in 2006/7 to enable the University to address its weaknesses and make improvements.

Effectiveness of Internal Controls

It is the Committee's opinion that the University has made significant improvements during the year to its internal financial controls and management systems. As a result, and having considered the annual reports of both internal and external auditors, the Committee can assure the Court that the University now has effective financial management and financial controls in place. The Committee will continue to monitor the progress of the University on the completion of its implementation of the recommendations outlined above.