

University of the Highlands and Islands

University Court

Wed 21 June 2023, 13:00 - 17:00

LSIC Building, Inverness Campus and by VC (Microsoft Teams)

Draft Minutes

Members:

Alastair MacColl (Chair), Alex Paterson, Allan Chow, Angus Campbell, Derek Lewis, Heather Innes, Heather Offord, Murray Easton, Rosemary McCormack, Vicki Nairn, Fiona Mclean, Mei-Li Roberts, Sara O'Hagan, Malcolm Burr, Davie Sandison, Madeleine Brown, Helen MacInnes

In attendance:

Lorna Walker, Neil Simco, Nicholas Oakley (Clerk), Roger Sendall, Sheena Stewart, William Campbell, Gary Campbell (in part), Charlotte Wheatland (in part), Max Brown (in part), Niall McArthur (in part), Scott Rhynas (in part)

Apologies:

Calum Ross, Andrea Robertson, Poonam Malik.

Key: Action, **Decision**

Meeting minutes

1. *Preliminary Items

1.1. *Welcome and apologies

The Chair opened the meeting and noted the apologies from Calum Ross, Andrea Robertson, and Poonam Malik. The Chair welcomed the new members of Court, Alex Paterson, Heather Offord, Allan Chow, and Helen MacInnes to their first meeting.

The Chair also welcomed William Campbell HISA President-Elect as an observer to the meeting. He would take on the substantive president role from 1 July, and thereafter become a member of Court. The Chair thanked Maddie and Heather for their contributions throughout their tenures.

The Chair noted that Jo de Sylva has stepped down from Court but will continue to work with UHI, including on the Foundation.

The Chair reminded members about the confidentiality and sensitivity of the papers and discussions.

1.2. *Declarations of Interest

Sara O'Hagan declared an interest in item 9.3.

Derek Lewis declared an interest in items 5.4.1 and 5.5.

Angus Campbell declared an interest in item 5.2.

1.3. *Notification of other business

No other business was declared.

1.4. * Starring

No changes to the starring were requested.

2. Minutes of meetings

2.1. * Approval of the minutes of 22 March 2023

The Committee **approved** the minutes of the meeting on 22 March 2023 as an accurate record.

2.2. * Matters arising

Members **noted** the matters arising as complete or on the agenda. Two incomplete actions were noted as missing from the report:

1. Action: A defined UHI policy on cash advances to partners, including the process for decision making, triggers, and standard repayment terms.
2. Action: Process for Court members to determine and input on the 'big questions and big decisions' was sought.

Members **requested** that these actions be added on to the matters arising. Members also **requested** special attention be taken to ensure that previous actions not fully resolved as complete remain on the action list and return to the committee.

2.3. * Delegated decisions

Court **noted** that it had previously delegated the appointment of new Court members to Nominations Committee, and that this was duly discharged as noted in the minutes of that committee.

3. * Interim Principal and Vice Chancellor Update

Vicki Nairn, Interim Principal and Vice Chancellor, introduced her report. She highlighted the structural challenges currently impeding the university's mission to have a transformational impact on students and communities. A managed change process, with a clear consensus on destination, was therefore needed.

One member noted that this update, alongside the financial plans, UHI 2024, and strategic plan that were all included on the Court agenda, had different and seemingly competing timescales, some stretching up to seven years, when the financial situation the partnership faced meant that radical, interventive change was needed imminently.

Court **noted** the Interim Principal and Vice Chancellor's report.

4. * HISA Report

Heather Innes, HISA President, highlighted the following matters from the HISA report:

- Members were advised that a recruitment partner had been appointed and was initiating discussion with key stakeholders for the recruitment of a permanent HISA CEO.
- Three new regional officers will commence their terms on 1 July.
- Student partnership agreement will be reviewed and refreshed on a two-year cycle.
- The HISA Advice service had been successful.
- HISA staff in Inverness had moved to new temporary offices in the Centre for Health Science.

Court **noted** the HISA report.

5. * Strategic Items for discussion

5.1. * Draft UHI Strategy

Court resolved to **approve** the UHI strategy. Members heard that the key and strategic performance indicators would continue to be reviewed and refined, and suggested that KPIs around awareness about UHI be included. The financial measures also ought to be simplified and not rely on percentages of operating costs.

5.2. * Future of Economic Development in UHI

[Gary Campbell joined the meeting]

Gary Campbell, Director of Economic Development and Commercial Services, introduced his portfolio and the range of economic activities UHI was engaged in.

As part of the proposal for economic development, Gary Campbell was seeking approval for new resources, with a target to help generate additional net profit of over £3m in the period to 2030. These additional resources sought included new roles Head of Economic Development, Head of Islands Strategy, and an Industry Engagement Manager. These appointments would be tasked with increasing the gross value added (GVA) impact that UHI has from £4 for every £1 invested, to £5 for every £1 invested, by 2030. SET supported the additional resource, although have requested income projections and ensuring GVA return, to not only cover their costs but contribute to UHI's revenue.

Members noted that:

- Full consultation and engagement across the partnership on these proposals were needed.
- Recruitment to new posts be handled sensitively in light of the recruitment freeze and potential staff reductions.
- UHI has been impeded by lack of commercial experience and resources, and this is a risk that additional resource should be applied to mitigate. Members also highlighted the importance of leadership and resource against Islands deals.
- Clarity on how "commercial income" is defined and how the team will generate this income was needed.
- There needs to be special governance arrangements to oversee the interface of activities and partners as well as the various deals. The UHI Enterprise Programme Board previously provided this oversight, with Business Practitioners Group providing executive-level coordination and collaboration across the partnership. It was suggested that this interface and associated governance be reintroduced.

Court **approved in principle** the proposal, including the additional resources, subject to the following actions being progressed:

1. Clarity on both the financial contribution to the university and income projections.
2. Arrangements around governance to be reviewed and transparent to partners.
3. Full consultation and engagement across the partnership on these proposals.
4. Announcements about the new posts (subject to approval as above) to be treated sensitively.

Gary Campbell also provided a brief MAATIC update. He reminded members that this formed part of the Moray Growth Deal, with up to £32m investment for aircraft engineering training. Site appraisals were ongoing with the centre of Elgin most likely. A full business case was being presented to the Programme Board in July. Court noted the MAATIC update.

Action: MAATIC to remain as a standing item on the Court agenda

[Gary Campbell left the meeting]

5.3. * Financial Sustainability and EO Budget 23/24

[Scott Rhynas, Niall McArthur, and Max Brown joined the meeting]

Vicki Nairn, Interim Principal and Vice Chancellor, opened the discussion on the 2023/ 24 university (“EO”) budget by reporting the increasingly difficult position the university faced, with significant external pressures resulting in a growing deficit, despite best efforts to seek efficiencies including via a voluntary severance scheme. The university’s cash position was under strain, including from ringfenced SFC funding (awaiting a decision from the SFC on clawback); several partners requesting cash advances; alongside reduced HE income and inflationary pressures.

In order for the university to break-even, difficult and urgent decisions were now required, and the paper proposed a reduction of costs of approximately £4m in 2023/24, including £1m non-staff savings and £3m (or approximately 25%) of staffing costs to ensure a break-even position. This included the implementation of a compulsory redundancy scheme to seek a reduction in headcount of approximately ~65FTE, or ~25% of university-employed staff.

The senior team reported the imperative for maintaining UHI’s statutory role as both a university and a Regional Strategic Body (RSB), as well as continuing to deliver learning and teaching to a good standard. Risks were also reported by the executive team that reducing staff headcount too rapidly, and particularly before UHI 2024 outcomes were implemented, may lead to destabilisation of both the university’s core operations as well as the wider partnership.

In the wide-ranging discussion that followed, the following key points were made:

- Key budget assumptions made in the paper included the structure (including headcount) remaining the same; modest student recruitment improvements; and a 5% staff pay award. Potential SFC clawback remained a significant impediment to projections, but the paper had assumed a “worst-case” scenario. This included an estimated calculation based on average price per FTE. Were SFC to release this funding in full, then approximately £4m would be retained by the university, with the remaining £7-8m distributed to the academic partners.
- The paper drew evidence and solutions from surveys issued by the SFC and OfS (England) considering HEI’s financial sustainability and mitigation strategies.
- The upcoming sale of the Ness Walk property may include a capital receipt of up to £2.5m that could provide top up cash to fund any recovery plans.
- Remuneration Committee recommended a pay award for university-employed staff for 2023/24 on a scale between 2-5%, with higher awards (5%) to the lowest paid staff, and the lower award (2%) to the highest paid staff (excluding senior executive team members, who had opted to receive no increase). Members heard that trade union UCU had requested a pay award of 15.5%, and the national/ sectoral average was between 5-8%, and noted that recruitment and retention of staff remained a serious concern.
- University-employed staff were anticipating imminent announcements on both pay awards and potential restructuring and staff cost savings, and that communications plans would be initiated following Court’s decision on both matters.
- The paper required an overarching framework and a defined approach to manage the budget deficit. Court had approved a 3+2 approach to achieving financial sustainability, but there was no definite plan to underpin this, and this was urgently required and ought to include targets supported by benchmarked data.

Members then discussed in detail the recommendation in the deficit recovery plan to reduce university staffing costs by £3m by November 2023 via severance scheme, and the following points were made:

1. Members expressed concerns about the risks and disruption associated with reducing staff headcount on a short timeline and to the extent proposed, especially risks to operational viability, as well as the quality of learning, teaching, research, and student satisfaction. Further concerns about resourcing and implementing upcoming UHI 2024 change activities, as well as dependencies for longer term strategic ambitions, commercial and recruitment growth, and related development aims were also noted as risks.
2. Members were advised that a functional review of university teams had already been undertaken. This would be used to support staffing cost reduction decisions and to mitigate disruption to operational activities.
3. Members were aware that all academic partners were considering and implementing similar urgent and significant cost reduction exercises, and it was important that the university as the regional strategic body acted in a manner that recognised and supported the challenges the entire partnership faced.
4. On the savings timeline, members requested that any actions taken not undermine delivery and be carried out in a considered and controlled manner, with a view to improving long-term sustainability, growth targets, and strategic aims rather than simply to reduce the cost-base in the short-term. Equally, the university should seek to avoid the need for any repetition of severance schemes, should the budget position remain unviable in the medium-term.
5. The senior team noted that Court had previously approved (in June 2022) a 3+2 year approach for removing the university's deficit, and that the proposal was predicated on achieving a balanced budget by the end of the 2023/24 AY. If Court were willing to carry a (reduced) deficit beyond the end of AY 2023/24, then a reduced savings target of between £1.5m-£2m was recommended as a more risk-averse and less disruptive target. However, this would still require growth in student recruitment, a reduction in headcount (including a potential compulsory severance scheme, amongst other measures), as well as using the proceeds of the Ness Walk sale to reduce the deficit.

[Fiona Mclean left the meeting]

Court **resolved** to:

1. **Approve** the recommended pay uplift for university-employed staff for 2023/24 on a sliding scale between 2-5%;
2. **Seek clarity** from the SFC on both clawback and academic partner cash advances;
3. **Agreed** the 2023/24 university ("EO") budget, subject to a revised and reduced savings target of between £1.5m-£2m for 2023/24; and **agreed** to carry a reduced deficit of £3m beyond the end of the 2023/24 academic year;
4. **Agreed to review** a deficit recovery proposal by email circulation to meet this revised savings target. This proposal to include a recommendation from SET, as well as clarity on other actions being undertaken to improve the deficit, as well as modelling implication for operational delivery and UHI 2024. A special meeting of the Court to be held if required.
5. **Agreed to delegate authority** to the Senior Executive Team to implement the recommended savings plan (resolution #4) in 2023/24, once approved, including severance decisions.

5.4. * Academic Partner financial monitoring reports

Scott Rhynas, Interim Director of Finance, introduced the academic partner financial monitoring reports. These now included the consolidated partnership position. In May 2023, the Vice Chancellor's office had formally requested financial recovery plans from all partners, under the university's regional strategic body duties and powers. UHI's Finance and General Purposes Committee have since requested face to face meetings between all partners and UHI's senior executive team to review and scrutinise these plans.

Members queried whether any representations had been made to SFC regarding special/ discrete funding for smaller and specialist academic partners, given their significant strategic value but by necessity increased running costs (due to geographical, size, and scale constraints). Members were advised that the SFC regarded determining appropriate levels of support for all partners as the remit and responsibility of the university, as the regional strategic body.

Members **noted** the financial monitoring report and **noted** the action requested by UHI's Finance and General Purposes Committee to seek further scrutiny and challenge of partners' financial plans.

[Malcolm Burr left the meeting]

5.4.1. *Financial Update on UHI Outer Hebrides

Niall McArthur, Director of Finance, reported on the UHI Outer Hebrides financial update. A formal request for a further cash advance of £540k to meet urgent obligations (including payroll) had been made by UHI Outer Hebrides (UHI OH) to UHI. The university's FPGC had considered the matter but a decision from Court was required due to both the amount requested as well as related concerns about the financial health of UHI Outer Hebrides and related issues (such as governance risks and the impact on the merger).

Members heard that UHI and UHI OH representatives had recently met, and serious concerns had been raised about UHI OH's ability and capacity to manage the current financial position. There was little confidence expressed that proposed plans would effectively manage the situation, and concerns were raised about UHI OH's leadership and governance. It was clear that, without the cash advance, UHI OH would become insolvent within a matter of weeks.

UHI representatives recommended that the Court approve a cash advance up to the full amount requested, subject to the following conditions:

1. The final amount (up to £540k), timing, and repayment conditions would be subject to further negotiation between UHI and UHI OH board representatives.
2. That further mitigation be taken to ensure that the advance and the overall financial situation of UHI OH not jeopardise the launch of the new merged college, UHI North, West, and Hebrides (UHI NWH).
3. That oversight and scrutiny by UHI of UHI OH's financial and operational management commence immediately under UHI's RSB powers until the merged college vesting date (01 August 2023). This to include weekly meetings.
4. That SFC continue to be fully briefed on both UHI OH's situation, UHI's actions, and any potential impact upon the merged college UHI NWH. This to include the variances in the business plan and budgets arising from the UHI OH situation, and a joint plan agreed with the SFC to resolve the matter.

Court resolved to **approve** the cash advance to UHI OH subject to these conditions and actions.

[Clerk's note: see next item for further discussion on the advance repayment]

5.5. * UHI North, West & Hebrides merger update

[Clerk's note: Item moved from 5.7]

Max Brown, Director of Transformation, introduced the UHI North, West, and Hebrides merger update. He reported that the project was on track to reach vesting and create the new merged college on 1 August 2023, whereupon staff and assets will transfer.

Members heard that all three colleges involved in the merger were now showing a worse budget position than anticipated, and heard that were merger not to happen it was likely that at least two of the partners faced insolvency.

Court **noted** the position. In the discussion, members also **noted** that UHI's ability to recover the cash advances made to UHI OH [see item 5.4.1] as well as other previous advances was uncertain without jeopardising the merged college's financial viability, and that this should be factored into considerations for repayment terms as well as submissions to the SFC on the matter.

[Fiona Mclean re-joined the meeting; Max Brown, Scott Rhynas, and Niall McArthur left the meeting]

5.6. * International student recruitment proposals and student recruitment update

[Charlotte Wheatland joined the meeting]

Charlotte Wheatland, Director of Student Recruitment, gave members an update on recruitment, as well as international student recruitment proposals.

On domestic recruitment and admissions, Charlotte reported that:

1. More consistent marketing campaigns will be enacted across the partnership.
2. The admissions system was being overhauled, with actions to improve and fix the application process.
3. Conversion of applications is another major focus needed to bring the university up to standard, particularly around support provided.
4. The recruitment targets set by Academic Planning Committee (APC) were inaccurate. Forecasting and target setting will be reviewed to ensure more accuracy and fewer variances than in previous years.

Court **noted** the 2023/24 HE student number forecasts and **endorsed** the priorities for the 2024/25 HE recruitment cycle.

Court **endorsed** the international recruitment strategy and approach to a partnership-wide international office structure as presented in the paper. Members heard that the funding model was still to be agreed. More ambitious targets were not currently feasible due to compliance and support requirements and accommodation availability.

[Charlotte Wheatland left the meeting]

5.7. * EO restructure plan

[Clerk's Note: This item moved to the reserved business session]

5.8. * UHI 2024 programme update

[Max Brown re-joined the meeting]

Max Brown, Director of Transformation, presented the UHI 2024 Programme Update. Max reported that the programme team had serious reservations that shared services and the other workstreams as currently formulated could not deliver the savings the university partnership required, and only substantial constitutional and structural change could do so.

The Programme Board had recommended continued focus on the 3-4 key areas delivering benefits. Aligned and in parallel to this, a subgroup consisting of partner principals would be tasked with proposing an evolved model of shared services, including a central services setup, for Court's consideration at the August Court away day.

Members requested that due consideration be given to external facilitation and expertise to support this subgroup in order to identify optimal solutions.

Court **noted** the update and **endorsed** the proposals.

[Max Brown left the meeting]

5.9. * Sustainability strategy and policy

Sheena Stewart, University Secretary, introduced the sustainability strategy and policy. A sustainability implementation group would be created. Assistance monitoring the supply chain was provided by the university's procurement partners, APUC. Travel and other similar policies would be reviewed and updated in light of the sustainability strategy and legislative requirements.

Court **approved** the sustainability strategy and policy.

[Sara O'Hagan left the meeting]

6. Items for noting/ approval

6.1. Revised scheme of delegation

Court **approved** the scheme of delegation without further discussion.

6.2. Appointments/Changes to Assigned College Boards

Court **noted** the Appointments/Changes to Assigned College Boards without further discussion.

6.3. Public Sector Equality Duty (PSED) Mainstreaming and Outcomes Report 2023

Court **noted** the Public Sector Equality Duty (PSED) Mainstreaming and Outcomes Report 2023 without further discussion.

6.4. Enhancement-Led Institutional Review one-year on report

Court **approved** the Enhancement-Led Institutional Review without further discussion.

6.5. Risk Management Report and High-Level Risk Register

Court **noted** the Risk Management Report without further discussion.

6.6. Court conference August 2023

Court **noted** the Court conference agenda without further discussion.

6.7. Reading Room Items

6.7.1. Academic Partner quarterly status reports

Noted without discussion.

6.7.2. HISA constitution review update

Noted without discussion.

7. Minutes from Committees of Court

The below minutes from committees of Court are for information only.

7.1. Nominations Committee 22 May 2023

Court **noted** the Nominations Committee minutes without further discussion.

7.2. Audit Committee 24 May 2023

Court **noted** the Audit Committee minutes without further discussion.

7.3. Finance and General Purposes Committee 1 June 2023

Court **noted** the Finance and General Purposes Committee minutes without further discussion.

7.4. UHI Foundation 1 June 2023

Court **noted** the UHI Foundation minutes without further discussion.

7.5. Partnership Forum 2 May 2023

Court **noted** the Partnership Forum minutes without further discussion.

8. * Any Other Business

None.

9. * Reserved Business

[Roger Sendall, William Campbell, and Nicholas Oakley left the meeting]

9.1. Remuneration Committee minutes 30 May and 9 June 2023

9.2. Finance & General Purposes Committee 1 June 2023 reserved

9.3. * EO restructure plan

9.4. * Action short of a strike update

9.5. * UHI Leadership

10. Close of meeting