

Court

Minutes

In the Chair: Professor E Brown

Date of Meeting: 24 September 2001

Present also: Mr G Bissett
Mr D A Brew
Mr D A M Brown
Mrs S G Charlesworth
Mr J Dignan
Mr B Drury
Mr G J N Gemmell
Dr C G Greig
Mr D H Guest
Sir Peter Heatly
Mr R Jobson
The Hon Lord Johnston
Mr S G Kay

Ms J Lowe
Ms G A McDonald
Professor D G Owen
Mr J Polson
Mr C P Robinson
Ms Y Savage
Dr R Summers
Professor J A Swaffield
Mr A B Taylor
Professor A C Todd
Professor C Viney
Dr S Zachary

In attendance: Professor C M Brown, Deputy Principal
Professor D R Hall, Assistant Principal
Professor R R Leitch, Assistant Principal
Professor P N O'Farrell, Assistant Principal
Professor A C Walker, Assistant Principal
Professor J E L Simmons, Dean, Engineering
Professor I Mason, Dean, Economic and Social Studies
Professor B S Wherrett, Dean Elect, Science
Mr P L Wilson, Secretary of the University
Mr S L L Paterson, Finance Director
Mr R V Parkinson, Senior Assistant Secretary
Mr P Kerr, Director of Estate and Building Services
Mr W R McGookin, Director of Planning Office
Mrs M Thornton, Director of Corporate Communications
Mr A G Hood, Assistant Registrar

Mr P Gregory, Director of Planning and Development, Scottish Borders Council

1. WELCOME

The Chairman welcomed to the meeting members newly appointed or reappointed to the Court; Mr Dignan, Mr Gemmell, Miss Savage and Professor Swaffield. He also welcomed Mr Drury, now a member ex officio as President of the Students Association.

2. APOLOGIES

Apologies for absence were intimated from The Rt Hon The Lord Mackay of Clashfern, Principal Archer, Professor Jowitt, Mr Morrison, The Hon Lord Penrose, Mr N Rudd and Councillor Scobbie.

3. MINUTES

The Minutes of the meeting of the Court held on 9 July 2001 were approved.

4. CASHFLOW : ASSET REALISATION AND BORROWINGS

With reference to Ct 110.3/00-01, it was noted that the matter of borrowings figured in the report of the Finance Committee to the present meeting (Minute 11.4 below). It was reported that information on the student residences and land at Galashiels would be forthcoming in the near future. It was further reported that Scottish Enterprise Edinburgh and Lothians was working with the University to consider whether venture capital funding might be appropriate to the Research Park.

5. PROMOTION OF DISTANCE LEARNING

With reference to Ct 110.6/00-01, it was reported that the development of commercial exploitation of distance learning was proceeding, with the appointment, for one year, of an interim chief executive for the Interactive University Press, funded by Scottish Enterprise; and exploratory discussions with industry regarding finance, targeting a partnership including Scottish Enterprise, the University, and industrial support.

6. ASSET REALISATION

With reference to Ct 110.7/00-01, it was noted that, on the advice of Jones Lang Lasalle the marketing of the SEPA building would not commence until completion of the extension to the building, and that from commencement the marketing process was likely to take three to four months.

7. MEMBERSHIP OF COMMITTEES

With reference to Ct 114.2/00-01, it was reported:

- that with the appointment of Lord Penrose to chair the enquiry into the Equitable Life Assurance Society, he would be unable, due to time constraints, to continue in membership of the Audit Committee and would be replaced
- that Mr E M Walker would remain as a member of the Estate Strategy committee, but had been unable to accept appointment as Convener. Mr P Gregory had agreed to convene the Committee for one year initially

8. CHAIRMANSHIP OF COURT

With reference to Ct 116/00-01, the Court confirmed with acclamation its invitation to Mr Gemmell to become Chairman of the Court from 1 August 2002 for a period of three years, and his appointment, with immediate effect, as Chairman –designate.

9. Communications from the Vice-Principal and the Principal's Management Group

9.1 EUROPEAN FUNDED PROGRAMMES

The Vice-Principal reported that funding of £½m had been received from the European Regional Development Fund to support the research being pursued in high performance textiles by Professor G Stylios and his group.

The European Social Fund had awarded £250k to Ms Kathy Patterson and the Department of Civil and Offshore Engineering to bring more female students into engineering by contributing to maintenance and childcare costs.

9.2 SCHOLAR

It was reported that the pilot SCHOLAR programme had been successfully extended to schools covering the whole of Scotland and had 20,000 participants, including 7,500 following courses for Advanced Higher qualifications. Although the University did not receive additional net income from this, it was a key strategic marketing initiative across Scottish schools. There was in place an evaluation strategy to gather evidence on the effectiveness of SCHOLAR as a recruitment mechanism.

9.3 OPEN DAY

It was reported that the University Open Day was being held in conjunction with Freshers Week activities in the James Watt Centre on 24 September, and the Vice-Principal encouraged members of Court to visit this event after the meeting. The Open Day had been rescheduled and re-worked from previous years' patterns to take best advantage of the school term dates, not least in the Edinburgh private sector.

9.4 ACTING HEAD OF SCHOOL OF TEXTILES

It was reported that Professor D G Owen had been appointed as Acting Head of the present School of Textiles.

10. Audit Committee – Report

10.1 MEMBERSHIP OF COMMITTEE

It had been proposed, and accepted, that Mr David Brew be invited to join the Committee.

Another member was to be sought in addition to Lord Penrose and David Brew. (cf also Minute 7 above)

Disposal: Noted.

10.2 EXTERNAL AUDIT : EXPECTED KEY ISSUES FOR 2000/01

The external auditor had outlined to the Committee the key issues:

- ability to operate within financial facilities

The business must take all necessary steps to ensure that finance is in place.

- SCHOLAR Funding

Funding receivable from Scottish Knowledge of £500K had been recorded as income although cash received to date was only £150K. If agreement was not reached with Scottish Knowledge, the £150K would fall to be repaid and the whole of the £500K would be an additional charge against the University's accounts for 2000/01.

- Endowments

Endowment assets holdings had not yet been fully separated from University Funds. Total funds were £4 million with external investment of £2½ million: there was a notional overdraft of £1½ million. The Auditor had observed that Endowment funds should be ring-fenced and made up with borrowing taken from the bank and corrective action should be taken as soon as possible as this was a governance issue. The Director of Finance had informed the committee that within the proposed new funding arrangements a ring-fenced amount would be maintained for the endowment cash balances.

- Accounting Treatment of Development Expenditure

The current presentation in the Income and Expenditure of separate disclosure between operating activities and development activities was to be raised at the Finance Committee.

- Galashiels Students' Union

Accounting treatment of £750K University contribution to the Building and £500K Strategic Change Grant towards merger would require to be decided, depending on resolving the 'ownership' of the building.

- New Maths Building : £400K preliminary expenditure

The Chairman of the Committee had suggested charging these costs in the 2000/01 accounts if the designs were no longer relevant.

- VAT

Customs and Excise were challenging the University's partial exemption method. An update would be obtained in October to reassess the provision for VAT repayment.

Heriot-Watt Properties showed a VAT debtor of £250K. This was to be reviewed by the External Auditors own VAT advisors who had been directly involved in advising on the VAT leasing scheme.

- Governance

The financial review of the year and the statement of corporate governance would require careful wording given the current financial situation.

Disposal: Noted. In relation to the Maths building, the Court was reminded of the particular conditions attaching to the competition for JIF funding, and the requirement for bidding institutions to incur considerable preliminary expense. These arrangements had subsequently been abandoned in favour of more formula-based allocations. Dr Summers reported the view of the external auditor that the total of £250k claimed in VAT was justifiable and recoverable, and was correctly recorded as a debtor's obligation to the University.

10.3 INTERNAL AUDIT

Internal/Audit Reports Nos 2, 4, 5, 6 and 7 were given in full.

Report 2 – Partnerships:

The University was looking at a number of options, e.g. the IT project

The restructuring exercise required the examination of core business as well as central departments and supporting services. All areas were appropriate for consideration for savings and for income generation.

Report 4 – Enrolment/Tuition Fees (including distance learning)

It was commented that the infrastructure was weak on these income streams and that communication between departments could be difficult. The re-organisation into Schools provided the opportunity to establish effective systems.

Report 5 – POP Post-Implementation Review

The key findings showed areas and procedures of continuing non-compliance with POP procedures including problems with management, fundamental discipline and late processing of documents.

The Chairman requested that non-compliance with the POP system by some departments be brought to the attention of the PMG for urgent action.

Report 6 – Costing and Pricing of Research Contracts

Principal findings included: no formal review process to establish why overhead recovery targets are not met, and no formal uniform strategy for costing and pricing of research, consultancy and other trading activities. The system at the proposal stage was good: however there was less evidence of post contract monitoring.

The quality of information was good: the application of best practice could be enhanced.

Report 7 – Transparency Review – costing for decision making in HEIS

Progress had been made in the introduction and development of information and standards in costing to meet the Funding Council guidelines/timetable.

Disposal: Noted.

10.4 REVIEW OF FINANCIAL STRUCTURES/SYSTEMS

The Internal Auditor had presented a review outlining the current financial structures, and how they would need to be adapted/revised within the current schools restructuring programme.

The relationship of finance at Schools level to central finance had been discussed together with the rôle of Schools' financial controllers and their reporting arrangements. The financial controllers would have dual responsibilities – to their School and to the Finance Office. They would actively participate in the School's management and in financial evaluation of decisions projects. They would ensure

provision of accurate, timely data, and would oversee compliance and reporting to the centre. Formal quarterly review meetings would be held between Schools and the centre, including the School's financial controller. A final report from Deloitte & Touche including recommendations for financial structures within the new Schools would be issued shortly.

Corporate governance was a recurring issue throughout the Internal and External Audit reports. In the current restructuring of the University it was recognised that proper and effective corporate governance was a very important pre-requisite. Both PMG and Court were aware of this and would monitor the University restructuring accordingly.

Disposal: Noted. It was further noted, in the light of the need to comply with the principles of corporate governance, that it was intended to introduce the necessary processes for control before the restructured Schools came into operation, with some measure of phasing where this was appropriate.

11. Finance Committee – report

11.1 CAPITAL PROJECTS

Arising from its meeting on 27 August, the Committee reported that it had:

- noted that the costings for the Football Academy project were not yet finalised and would require to be brought within the £6m limit set by the Court. A review to this end was under way with the Design Team
- noted that the changes to the project meant that the University would also seek confirmation from Heart of Midlothian regarding to which aspects of the scheme their 70% proportion of the capital investment to be paid to the University would relate
- noted that the revenue projections of the Football Academy as previously agreed by Court were unaffected
- noted that £1.75m of infrastructure works relating to the development of the South Campus area were not part of the Football Academy project, but had been brought forward to the current year to co-ordinate with the proposed construction of the Academy, and were approved
- noted that within the infrastructure works, the nursery had been relocated temporarily and would in due course find a permanent site
- noted that negotiations on the future rental arrangements for the SEPA building were proceeding towards a conclusion

The Court also received a supplementary briefing on the Football Academy as set out in an Annex to agenda paper B. The project had been put on hold following a decision of the Board of Heart of Midlothian to reappraise the project in the light the cost increases and also wider considerations including the possible development of a new stadium. It was noted that Hearts should be able to provide a considered view of all the relevant factors by December 2001 and that provided the cash targets were met, Hearts still expected to proceed.

The Court discussed the consequences of this development, and in particular the desirability of constraining the infrastructure project (principally roads and drainage) to save costs, in the light of the foreseeable patterns of cashflow and borrowings (cf Minute 11.4 below). The Football Academy project had material relevance for the facilities to be provided in support of the sports science and sports medicine degree programmes, but provision was being assured for the delivery of the courses using the existing facilities. After discussion of the balance of costs and penalties to be met if the infrastructure contract were to be varied at the present stage, it was agreed that the PMG should take a final decision on whether some costs should be deferred.

11.2 FINANCIAL PERFORMANCE 2000-2001

The Committee had received a tabled paper (Appendix A to agenda paper B) setting out income and expenditure accounts based on 12-month management accounts as at 31 July 2001.

- noted that the overall deficit, including development costs, would be around £4.4m before taking account of the possible write-offs in 10.2 above
- noted that this was attributable principally to continuing shortfalls in fee and research income not offset by major savings in non-pay spend
- noted audit issues and discussed the year-end treatment of a number of items

Disposal: Noted.

11.3 OVERALL BUDGET 2001-2002

The Committee had received (Appendix B to agenda paper B) an overall budget for income and costs for 2001-2002, in line with the summary approved by the Court in July 2001 and with the information supplied to SHEFC. The overall deficit of £5.7m was due to the recurrent commitments of the University before the full impact of the cost savings to be derived from the Schools restructuring programme.

- noted the controls in place, restraining pay expenditure by means of the Vacancy Management group, and the mechanism of partial (20% withheld) allocation of non-pay budgets against satisfactory adherence to agreed spending profiles and future income levels
- noted that the pace of restructuring would have a material effect on the balance of costs as between one-off and recurrent expenditure

Disposal: Noted. A greater speed of restructuring would bring a quicker elimination of the recurring deficit. The costs attributable to SOLD and SCHOLAR represented the first year of a three-year forecast which envisaged break-even after two years. The revenue costs of the Football Academy (should it proceed as planned) would require to be offset by additional income streams. The head of Other Operating Expenses comprised a considerable number of contributing elements.

11.4 CASHFLOW/BORROWINGS 2001-2002 – 2003-2004

The Committee had received and noted a summary statement of expected cashflow and of possible patterns of borrowings over the next three years. (Appendix C to agenda paper B)

The Committee had noted and discussed initial proposals from four banks:

- Royal Bank of Scotland
- Lloyds TSB
- Barclays
- Bank of Scotland

Two of the proposals appeared to meet the University's requirements and further negotiations would be required to secure the most competitive package. It was agreed that the details be collated by the Director of Finance and dealt with by a sub group of the Committee consisting of the following:

Dr C G Greig
Mr A B Taylor
Mr G J N Gemmell
Mr S Kay
together with Dr R Summers

Disposal: Noted. It was reported that the negotiations were still in progress, and it was agreed that the sub group should have authority to conclude arrangements with the chosen Bank as soon as the SHEFC approvals had been obtained.

11.5 SHEFC THREE YEAR FORECASTS

The Committee had noted the financial forecasts and commentary submitted to SHEFC as part of the University's rolling plan 2001/2-2003/4 (Appendix D to agenda paper B).

It was noted that a meeting between the Principal and Professor Sizer had taken place on 4 September 2001 and reviewed the events leading up to the University restructuring proposal, the restructuring plans, the proposal to request relief from borrowing restrictions under Financial Regulations and the preliminary indication from Banks about agreeing to loan arrangements. Professor Sizer indicated that he should receive a formal communication from the University on these matters and that SHEFC would take these requests through their Audit Committee and Council by mid-October. It was also noted that informal contact between the Finance Office and the Finance Director of SHEFC since submission of the Plan had given an indication of general acceptance by the Council for the University's strategy together with a desire for reassurance on certain aspects.

Disposal: Noted. (cf also Minute 14 below)

11.6 ISSUES FROM AUDIT COMMITTEE

The Audit Committee, at a recent meeting, had considered certain issues touching on corporate governance, and the Finance Committee had noted that the Principal's Management Group, primarily the Secretary of the University and the Director of Finance, were following up these concerns.

Disposal: (cf also Minute 10.2 above)

12. Staffing Strategy Committee – Report

12.1 ANNUAL REPORT AND PERFORMANCE INDICATORS

The Committee had considered the annual report, with performance indicators from the Personnel Office. This report also contained a report from the Staff Learning and Development Unit.

The Committee had agreed to submit the report detailed in Appendices A and B to agenda paper C to the Court for information.

(a) Appraisal

The Committee had considered draft proposals for a new scheme of staff review for staff which was currently being developed within the Personnel Office.

(b) Statute XXV

A review of Statute XXV was being undertaken nationally because of the difficulties in operating it as presently drafted.

Disposal: Noted. It was reported that the outcome of the Research Assessment Exercise would be available towards the end of the year and would reflect the University's 84% proportion of research-active staff, up from 70% in 1995. It was noted that any evaluation of research effectiveness could not be solely founded on income generation, but would also entail assessment and appraisal internal to the University.

The Chairman, on behalf of the Court, expressed appreciation of the efforts of the Committee, and of the contribution to its work made by members from outwith the University.

13. Vacation Committee – Report

13.1 PROSECUTION OF COURT DECISIONS

The Committee had approved the measures set out in Appendix A to agenda paper D in relation to the monitoring of the progress and success of restructuring, and to the implementation of strategy decisions made by the Court at its meeting on 9 July 2001.

Disposal: Noted.

13.2 ACADEMIC PROMOTIONS BOARD (SENIOR PROMOTIONS)

In terms of paragraph 6.1.1 of Regulation 40, the Principal and Deans Committee acting on behalf of the Senate had considered a recommendation from the Principal's Management Group for the promotion of Dr M P Y Desmulliez, Department of Computing and Electrical Engineering from Senior Lecturer to Reader from 1 August 2001.

The recommendation followed approval to invoke emergency procedures to consider Dr Desmulliez' case and a subsequent positive recommendation from the Academic Promotions Board (Senior Promotions).

The Principal and Deans Committee had agreed to recommend to the Court that the proposed promotion be approved.

The Vacation Committee, acting on behalf of the Court had approved the recommendation.

Disposal: Noted.

13.3 MANAGEMENT OF CHANGE POLICY

The Committee had received a report from the Staffing Strategy Committee proposing the approval of a draft policy for the Management of Change, which had also been considered and approved by the Principal's Management Group. The report of the Staffing Strategy Committee and the draft policy were set out in Appendix B to agenda paper D.

The Vacation Committee, acting on behalf of the Court, had approved the draft policy.

Disposal: Noted.

14. PLANNING DOCUMENTS – SHEFC SUBMISSION JULY 2001

With reference to Ct 113/00-01 of the meeting of 9 July 2001, Court received and noted copies of the final documents submitted to SHEFC in July 2001, as set out in agenda paper E. The financial section of the papers had been circulated with the report of the Finance Committee as Appendix D to agenda paper B for the present meeting (cf Minute 11.5 above).

15. INVOCATION OF GRIEVANCE PROCEDURE

A request had been received by the Secretary of the University for the institution of grievance procedures in terms of Ordinance 41, made under Statute XXV and approved by the Court on 26 September 1994.

The Ordinance provided procedures for grievances to be settled informally, and if this was not achieved the matter should be referred by the Principal to a Grievance Committee to be appointed by the Court.

The composition of the Committee, as set out in paragraph 4.2 of Ordinance 41, was to be as follows:

- Paragraph 4.2.1 a Chairman
- Paragraph 4.2.2 one member of the Court not being a person employed by the University
- Paragraph 4.2.3 one member of the academic or academic-related staff nominated by the Senate

The Court agreed to set up a Grievance Committee in terms of Ordinance 41 and the delegation of authority to the Chairman of Court and the Secretary of the University to identify the chairman of the committee. It was noted that the chairman of the Committee need not be a member of the Court, and that, in view of the legalistic nature of the procedures laid down in Ordinance 41, the chairman should have experience of legal or tribunal proceedings.

It was agreed that Sir Peter Heatly be appointed as the Court member of the Committee.

16. UNIVERSITY RESTRUCTURING

Mr S G Kay reported on the progress of the restructuring process, and tabled a paper setting out the current position. This paper forms Appendix A hereto.

Practical issues which were raised in discussion included:

- the need to make clear that terms offered for voluntary severance would be identical to those relating to compulsory redundancy
- the need to exercise judgement in relation to the immediate costs of restructuring with a bias towards achieving the maximum reduction in recurrent expenditure
- the rôle of the Court and its Finance Committee in monitoring the process and ensuring its successful implementation
- the need to ensure consistency in public statements or responses to media inquiries, which should all be handled by the Office of Corporate Communications

These matters would be of central importance to Court business over the course of the next year and there would be a report at each meeting.

17. TIMING OF OCTOBER MEETING

In order to co-ordinate with other obligations on the Principal, it was agreed that the meeting of the Court scheduled for 29 October 2001 should commence at 11.00 am.

18. LEAGUE TABLES AND PRESS COVERAGE

It was reported that, as in previous years, published league tables ostensibly ranking teaching performance of UK Universities had been founded on outdated and inappropriate data in relation to Scotland. Universities Scotland had made strong representations to the newspapers involved, including the Times, and the matter had been discussed by the Chairmen of the Courts of Scottish Universities. The Chairman of Court would also raise the matter with SHEFC.

Court

In the Chair: Professor E Brown

Present also: Principal J S Archer
 Mr D A Brew
 Mr D A M Brown
 Mrs S G Charlesworth
 Mr H Collis
 Mr J Dignan
 Mr B Drury
 Mr G J N Gemmell
 Dr C G Greig
 Mr D H Guest
 Sir Peter Heatly
 The Hon Lord Johnston

In attendance: Professor P N O'Farrell, Assistant Principal
 Professor A C Walker, Assistant Principal
 Professor J E L Simmons, Dean, Engineering
 Professor I Mason, Dean, Economic and Social Studies
 Professor B S Wherrett, Dean, Science
 Mr P L Wilson, Secretary of the University
 Mr S L L Paterson, Finance Director
 Mr R V Parkinson, Senior Assistant Secretary
 Mr P Kerr, Director of Estate and Building Services
 Mr W R McGookin, Director of Planning Office
 Mrs M Thornton, Director of Corporate Communications
 Mr A G Hood, Assistant Registrar

Mr P Gregory, Director of Planning and Development, Scottish Borders Council
 Professor B Austin, Convener, Occupational Health & Safety Committee
 Mr F C Reay, University Safety & Risk Adviser

Minutes

Date of Meeting: 29 October 2001

Professor P W Jowitt
 Mr S G Kay
 Ms J Lowe
 Ms G A McDonald
 Professor D G Owen
 Mr J Polson
 Mr C P Robinson
 Ms Y Savage
 Dr R Summers
 Professor J A Swaffield
 Mr A B Taylor

19 WELCOME

The Chairman welcomed to the meeting Professor Jowitt, elected to membership by the Senate; and Mr Collis, Secretary of the Students Association, who had been elected to membership of the Court by the Council of the Association. He also welcomed Professor Austin and Mr Reay, present for item 31 below.

20. APOLOGIES

Apologies for absence were intimated from The Rt Hon The Lord Mackay of Clashfern, Mr Bissett, Mr Johnson, Mr Morrison, The Hon Lord Penrose, Mr Rudd, Councillor Scobbie, Professor Todd, Professor Viney and Dr Zachary.

21. MINUTES

The Minutes of the meeting of the Court held on 24 September 2001 were approved, subject to recording that it had been proposed and agreed that the Finance Committee would review the overall funding of the Sports Science and Sports Medicine degree programmes.

22. CASHFLOW : ASSET REALISATION AND BORROWINGS

With reference to Ct 4/01-02, it was reported that the Finance Committee had received an update on progress being made on developing the student residences site at Galashiels with a view to improving the facilities and possibly realising the remaining ground asset. Substantial further negotiation with the organisations involved would be required before any proposal could be made to the Finance Committee and the Court. Similarly, discussion with Scottish Enterprise Edinburgh and Lothians on the development of the Research Park was progressing, and the outcome would be conveyed in due course to the Committee and the Court.

23. PROMOTION OF DISTANCE LEARNING

With reference to Ct 5/01-02, it was reported that a more focussed short-term view was being adopted to determine the market for distance learning products. A marketing and sales team funded by Scottish Enterprise would test the market over the next twelve months, and the appointment of a chief executive for the Interactive University Press would depend on a successful outcome.

24. CAPITAL PROJECTS

With reference to Ct 11.1/01-02, it was reported that there was an additional capital spend of ca £250k associated with the relocation of the nursery, and that this would be recovered over 20 years through additional rentals from the nursery.

25. CORPORATE GOVERNANCE

With reference to Ct 11.6/01-02, it was reported that the Audit Committee would consider the issues raised at its next meeting on 2 November 2001.

26. Communications from the Chairman of Court

Items 26.1 to 26.5 were items discussed at the meeting of the Chairmen of Scottish Universities on 15 October 2001.

26.1 SHEFC CONSULTATIONS ON CONDITIONS OF GRANT

The Chairman drew to the attention of the Court a process of consultation being undertaken by the Funding Council in relation to proposals from the Council to introduce new conditions of grant. The proposals had their origins in recent guidance to the Council by the Minister for Higher Education that the sector would require to address the government's modernising agenda as a means of delivering key policy objectives. The issues associated with the proposal, and considered at a meeting between officers of the Council and institutional representatives in September 2001, were set out in agenda paper A1 for the present meeting.

The Court noted the terms of a reply by Universities Scotland to the consultation, also set out in Agenda paper A1, which argued that the terms of existing financial memoranda between governing bodies and the Council were adequate to meet the objectives proposed, and that any measures to dilute the autonomy of the Universities should be resisted.

26.2 UNIVERSITIES SUPERANNUATION SCHEME LIMITED

This topic related to a paper from the management committee of USS setting out substantial proposed changes to the scheme for funding pension benefits. These matters were set out in agenda paper A2 for the meeting which indicated that the proposed changes to the USS accrual rate from an 80ths scheme to a 60ths scheme would in general terms be beneficial to members, but at a significant cost to the employing institution.

The Court noted that the proposals also had substantial implications for the structure of the scheme itself, which were not in line with general commercial practice in the pensions field. It was further noted that strong representations had been made to the management committee of the scheme by the committee of Chairmen, to the effect that such a change was impossible to justify on the basis of the information supplied by USS.

26.3 QAA AGREED PROGRAMME WITH SHEFC

The Court had received, as agenda paper A₃, documentation on the future arrangements under discussion for academic quality assurance. It was noted that the Scottish Universities wished to see a consistent UK basis for the new system. The need was also identified for the introduction of the proposed subject level sampling, described in the consultation letter from SHEFC as drilling down, to be clearly defined.

26.4 PROPOSED PUBLIC AUDITS

The Chairman reported to the Court on proposals by the Auditor General for the possible introduction of public audit procedures to be imposed on institutions, including universities, in receipt of public funds. It was noted that this additional level of audit, of bodies already subject to internal and external scrutiny, was to be resisted, and in the case of universities, the Chairmen of Audit Committees would make a sectoral response.

26.5 SCOTTISH EXECUTIVE REVIEW OF HIGHER EDUCATION

The Chairman reported to the Court on a review of Scottish Higher Education that had been set in train by the Scottish Executive. This review had a very wide potential scope in that issues both within and beyond the field of Scottish Higher Education Institutions as presently defined were likely to come under scrutiny. It was essential that Universities Scotland be proactive in ensuring that the views of the University sector were clear, cohesive and strongly articulated. The main source of concern in this matter was the apparent policy of the Executive to adopt an increasingly interventionist and planning rôle.

26.6 DELEGATION OF POWERS TO THE FINANCE COMMITTEE

The Court noted details of the requirements for monitoring laid upon the University by SHEFC on the basis of discussion of the University's recurring deficits. These were set out in the report of the Finance Committee (agenda paper D for the meeting) and form appendix A hereto. SHEFC had taken a positive view of the steps now being taken by the University, but wished to be reassured of the reliability of current projections and the progress of the management of change programme.

In discussion with the SHEFC it was felt that the Finance Committee should be empowered to act on urgent management of change issues ahead of Court meetings where this was appropriate.

The Court received a statement on the delegation of powers to its Committees (agenda paper A₄) and noted that such delegation should extend only to matters within the remit and terms of reference of the relevant Committee.

It was agreed to make a delegation of power in relation to the Management of Change Programme as follows:

- where the Finance Committee, either at one of its formal pre-Court meetings or at a special meeting called by the Convenor of the Finance Committee, becomes aware of any material departure from the Management of Change Programme agreed by the Court, it shall have full delegated power from the Court to take whatever corrective action it feels appropriate and shall report the circumstances, and the actions taken, to the next meeting of the Court.

27 Communications From The Principal And The Principal's Management Group

27.1 NEW RELATIONSHIP WITH EDINBURGH COLLEGE OF ART

The Principal reported that discussions were proceeding with the College on mechanisms to be adopted in order to permit students on College courses to continue to receive Heriot-Watt degrees in the context of the College's likely wish to disassociate itself from the present form of relationship with the University governed by Ordinance 28. It was intended that a joint working group be established to progress the development of a new validation/accreditation agreement between the University and the College, expected to be in place from August 2002 and likely to be based on the pattern of that jointly operated by the University of Glasgow and Glasgow School of Art . (cf. also Minute 28.6 below).

27.2 STUDENT NUMBERS

The Principal reported to the Court on the patterns of student registration in October 2000 as set out in appendix B hereto and indicated that the post-graduate research numbers would be updated in the light of the eventual numbers actually registering. He also confirmed, in response to a question, that the quality and capacity of new students at all levels remained high.

27.3 SCHOLAR

The Principal reported that the Scholar programme was being used by schools across Scotland, with around 20,000 student learners involved. The University would monitor the progressive development of the scheme in terms of attracting students to Heriot-Watt and would in addition seek market opportunities for its expansion.

27.4 INSTITUTE FOR LEARNING AND TEACHING

The Principal reported that, arising from a recent validation visit, the course offered by the Staff Learning and Development Unit and leading to the Certificate in Academic Practice has been granted full approval by the Institute for Learning and Teaching. It was reported that over 100 members of staff of the University were members of ILT, a figure representing around 25% of eligible staff.

28 Communications From The Senate To The Court

28.1 DISESTABLISHMENT OF DEPARTMENTS AND SCHOOLS AND ESTABLISHMENT OF SCHOOLS AND INSTITUTES

The Senate had noted that the Court had agreed to the implementation of the restructuring of the University and the Principal had updated the Senate on the progress of the restructuring process. In accordance with paragraph 8(b) of Statute XII, the Senate had agreed to recommend to the Court that the following Departments, Schools and Centres be disestablished with effect from 31 July 2002:

- Actuarial Mathematics and Statistics
- Applied Psychology
- Biological Sciences
- Building Engineering and Surveying
- Chemistry
- Civil and Offshore Engineering
- Combined Studies
- Computing and Electrical Engineering
- Edinburgh Business School
- Languages
- Management
- Mathematics
- Mechanical and Chemical Engineering
- Petroleum Engineering
- Physics
- Textiles

In accordance with paragraph 8(b) of Statute XII, the Senate had agreed to recommend to the Court that the following Schools and Institutes be established with effect from 1 August 2002:

Schools

- The Built Environment
- Engineering and Physical Sciences
- Life Sciences
- Management and Languages
- Mathematical and Computer Sciences
- Textiles and Design

Institutes

- Edinburgh Business School
- Petroleum Engineering

It had been noted that the proposed School titles were working titles which might be modified as appropriate in due course.

Disposal: In discussion the following issues were raised:

- The need to clarify the future position of Faculties and the rôle of Deans as part of the new framework

28.5 THE UNIVERSITY'S ACADEMIC STRUCTURE: THE LEARNING BOARD

The Senate had noted that the Faculties of Science, Engineering and Economic and Social Studies, the Postgraduate Studies Committee and the Access and Admissions Committee had been invited to consider a paper on the rôle, composition and structure of the proposed Learning Board within the restructured University.

The Senate had noted that the Learning Board, which would be a committee of Senate, would be the principal forum for teaching and learning in the restructured University and would link directly to the Schools through the Directors of Teaching and Learning, who would be members of the Board.

The Senate had noted that the Principal and Deans Committee had agreed to take into consideration at its next meeting issues related to the establishment of the Learning Board.

Disposal: Noted.

28.6 UNIVERSITY'S FUTURE POLICY ON QUALITY ASSURANCE AT EDINBURGH COLLEGE OF ART

The Senate had noted that preliminary discussions between the University and Edinburgh College of Art had recently taken place with regard to the University's procedures for the quality assurance of course provision at Edinburgh College of Art.

The Senate had noted that the Information Exchange Forum, which comprised members of the University and Edinburgh College of Art, would meet in the near future and would consider the future structure of quality assurance at the College. The Principal and Deans Committee had agreed that the Director of Quality should provide the Secretary of the University with an overview of the substantive issues related to quality assurance at the College.

Disposal: Noted. (cf. also Minute 27.1)

28.7 MEMBERSHIP OF GRIEVANCE COMMITTEE

The Court had agreed to establish a Grievance Committee in terms of paragraph 4 of Ordinance 41 in order to consider a grievance (cf. Ct 15/01-02). The Senate had noted that in terms of paragraph 4.2.3 of Ordinance 41, the Principal and Deans Committee on its behalf had agreed that Mrs S G Charlesworth be appointed to the Grievance Committee as the member nominated by the Senate. The Senate had agreed to advise the Court of the decision.

Disposal: Noted.

28.8 INFORMATION SERVICES/INFORMATION TECHNOLOGY

The Senate had discussed issues surrounding the proposed Strategic Partnership to be sought by the University in delivering provision of IS/IT services.

Disposal: Noted (cf. also Minute 33.2 below)

29 Estate Strategy Committee Report

29.1 ESTATE OFFICE ANNUAL REPORT 2000-2001

The Committee had considered the annual report prepared by the Estate Office and had noted the following from the report:

- (a) Utility Costs:
Noted the possibility of savings in utility costs and agreed to invite the Estate Office to prepare a paper of possible ways forward, which would be considered by the Principal's Management Group in the first instance.
- (b) Backlog of Maintenance:
Noted that the estimated £19 million cost of addressing the backlog of maintenance did not include works which would have to be carried out in connection with the Disability Discrimination Act, Fire Risk Assessments and Houses in Multiple Occupation.

- (c) Fixed Estate Assets:
Noted that there was an intention to sell the SEPA building.
- (d) Use of Space:
Noted that the use of space in centrally timetabled rooms was 34% (up from 31%) and to achieve 50% occupancy would be very difficult given the present criteria.

The Committee had agreed that a report outlining the main strategic issues should be recommended to the Court for consideration. A copy of this report was attached to agenda paper C for the meeting.

In discussion, the following issues were identified:

- The need substantially to reduce consumption of utility services in addition to continuing to secure competitive rates for their supply
- The need for effective means of monitoring usage and targeting areas for realistic savings
- The need to engender and to spread a culture of restraint and economy
- The need to make provision for the replacement of services plant now approaching the end of expected life-span
- The need to address the obligations shortly to be laid on the University by forthcoming legislation

Disposal: Noted the report and agreed to request a further report for the next meeting of the Court regarding the level of usage of utilities.

30 Finance Committee Report

30.1 CAPITAL PROJECTS

- a) Infrastructure
- Noted that the Court had agreed that PMG take a final decision on the possible deferral of part of the south campus infrastructure programme in order to save costs
 - Noted the considerations taken into account by PMG and set out in Appendix A to agenda paper D
 - Noted that the full project had been authorised at a cost of £1.75m, to which had to be added the £250k cost of the nursery (cf. Minute 24 above).
- b) Football Academy
- Noted that the Court had been informed of the wish of Heart of Midlothian to conduct a review of this project
 - Noted that factors influencing Hearts decision were being progressively clarified
 - Noted that tenders for the construction had been received
 - Noted that no problematic planning issues had been raised
 - Noted that Hearts' agreed share of the overall project cost would have to be confirmed either by bond or some other form of binding guarantee prior to any contract being signed

Disposal: Noted.

30.2 MEETINGS AND CORRESPONDENCE WITH SHEFC

- Noted that a meeting between the Principal, Chairman and Chairman Designate of Court and Professor Sizer, Chief Executive of SHEFC and Dr Chris Masters, Chairman of SHEFC, had taken place on 16 October (cf. Ct 11.5/01-02)
- Noted that SHEFC and its Audit Committee were satisfied that the University had acted in conformity with the Financial Regulations stipulated by SHEFC, with full involvement by the Court
- Noted that the University would be required to report financially on a quarterly basis to SHEFC for the foreseeable future
- Noted that SHEFC was content with the recent measures taken by the University, including the close monitoring of costs, both staff and non-staff, recruitment of external assistance to aid the implementation of the Change programme and reporting procedures within the University
- Noted that the University needed to demonstrate to SHEFC its ability to achieve its financial and other targets and that the Council would wish to receive substantiated assurances regarding the University's monitoring of its progress.

- Noted the monitoring arrangements (Appendix B to agenda paper D) which had been discussed with SHEFC

Disposal: Noted.

30.3 ANNUAL ACCOUNTS 2000-01

- Received and noted unaudited draft consolidated accounts; and indicating a net deficit of £4.25m
- Received and noted draft subsidiary statutory accounts indicating a surplus from subsidiaries of £1.91m, mainly from conference operations and Edinburgh Business School

Disposal: Noted.

30.4 SCOTTISH KNOWLEDGE CONTRACT ON SCHOLAR

- Noted a report from the Principal on difficulties associated with the contract between the University and Scottish Knowledge governing the marketing of SCHOLAR materials (Appendix C to agenda paper D)
- Approved a proposal to utilise no further investment funds (£350k outstanding) from Scottish Knowledge in the development of SCHOLAR pending resolution of the contractual issue but that such decisions should not be time limited by the completion of the current Audit process

Disposal: Noted.

30.5 ANNUAL ACCOUNTS – AUDIT ADJUSTMENTS

- Noted that the inclusion in the 2000-01 accounts of the write off of expenditure (incurred for various funding bids) on detailed plans for the new Maths building, and totalling £0.42m, had been proposed by the Audit Committee (cf. Ct 10.2/01-02)
- Noted that the proposed revised relationship with Scottish Knowledge could entail a possible further write off of £350k
- Agreed to adjust the accounts to reflect the write off of the Mathematics building expenditure
- Agreed to discuss with the Auditors the treatment of Scottish Knowledge payment in the light of continuing negotiation on the contract, including the possible write off of £350k due to the University
- The overall impact of both the write off of the Maths building costs and the Scottish Knowledge amount would be to increase the annual deficit for 2000/01 to circa £5m

Disposal: Noted.

30.6 TWO MONTH ACCOUNTS TO 30 SEPTEMBER 2001

- Noted income and expenditure account to 30 September as set out in Appendix D to agenda paper D
- Noted the budgeted deficit for the period as £0.88m and the actual deficit as £0.62m
- Noted that the margin within budget had been achieved by cost savings, both pay and non-pay

Disposal: Noted.

30.7 STUDENT NUMBERS/FEE INCOME 2001-02

- Noted a report from the Director of Planning on the registration numbers of students and associated fee income
- Noted that the report confirmed little material change in aggregate on-campus student numbers from 2000/01 to 2001/01
- Noted that, on this basis, the fee income budgeted for the year should be achieved

Disposal: Noted.

30.8 BANK LENDING

- Noted a report from the working group charged with finalising arrangements to meet the University's borrowing needs, as set out in Appendix E to agenda paper D for the meeting

- Noted a summary of the key differences between the offers by Lloyds TSB Scotland and Royal Bank of Scotland
- After discussion on the merits of both offers the Committee had agreed to accept the offer by Lloyds TSB Scotland

[The Court noted a statement by the Chairman of his interest in this matter as chairman of Lloyds TSB Scotland, and that he had taken no part in the discussion by the Finance Committee]

Disposal: The Court noted that the working group had been authorised by the Court (Ct 11.4/01-2) to conclude arrangements with the chosen bank
The Court further noted with approval that the sub group had scrutinised and approved documentation relating to an overdraft facility of up to £3,000,000 and a loan facility in an original principal sum of £18,000,000 arranged with Lloyds TSB Scotland plc and that Dr C G Greig and Mr G J N Gemmell would sign on behalf of the University the relevant Facility Letters together with an amendment letter relating to previous arrangements with the Bank.

30.9 SHEFC STRATEGIC CHANGE GRANT – PLANNING AND HOUSING

- Noted that a joint bid by the University and the Edinburgh College of Art for Strategic Change grant to enable the transfer of academic provision in Planning and Housing from Edinburgh College of Art to the University had been successful
- Noted the details of the funding offered by SHEFC as set out in Appendix F to agenda paper D, and that the Council had agreed to fund in full those elements requested by the University
- Agreed to approve the acceptance by the University of the grant, subject to the implementation by the College of measures to limit the numbers of staff transferring

Disposal: Noted and approved.

31 Occupational Health & Safety Committee Report

31.1 ANNUAL REPORT BY CONVENER AND SAFETY AND RISK ADVISER

The Court received and noted, as agenda paper E for the meeting, the annual report of the Convener and the University Safety and Risk Adviser arising from the work of the Committee over the last year to July 2001. In welcoming the report, the Chairman of Court emphasised the considerable importance that the University placed on safety issues, the controls which were in place, and the monitoring which was carried out. The Convener, Professor Austin, acknowledged the good health and safety culture in the University, which facilitated the work of the Committee, and drew attention in presenting the report to the Court to individual aspects, including:

- The marked reduction in fire alarm activations
- The University's compliance with relevant regulations relating to diving safety, laser equipment and microbiological safety
- The award of the Gold Award of Scottish Health at Work as the recognition of a three year strategy of promoting health in relation to potentially harmful areas such as smoking, alcohol and drug use, and cancer related matters.
- The increased level of reporting of accidents, which, while resulting in increased recorded totals, did not reveal any problematic trends.

Professor Austin and Mr Reay also responded to questions on:

- The financing of optometry services
- The need for targeted reduction in accident rates in order to maintain a safety conscious ethos
- The elimination of risk wherever possible by awareness training
- The action being taken to cost and programme measures to remedy deficiencies revealed by fire risk assessments
- Budgeting provision for the safe disposal of hazardous materials and sources of radiation

The Chairman expressed to Professor Austin and Mr Reay the thanks for the Court for their efforts and for the work of the Committee in monitoring and maintaining the safety record of the University.

32 STUDENTS ASSOCIATION REPORT

The Court received and noted, as agenda paper F for the meeting, a report on the activities of the Students Association, setting out the executive priorities carried forward into the year 2001-2002 pending confirmation or amendment by the newly elected Council of the Association, and providing an overview of the Association's education and welfare work in 2000-2001. In presenting the report Mr Drury alluded also to ongoing matters, including the as yet unquantified effects on the Association of the University's restructuring programme; a comparative self-assessment of the Association, using the model developed by the Scottish Council for Voluntary Organisations entitled the Big Picture; and the student satisfaction survey, which was nearing completion. The pattern of welfare services revealed in the report appeared to confirm the need for and utility of provision by both the University and the Association. Mr Drury expected to be able to provide an updated report later in the course of the year. It was noted that feedback on the financial aspects of the Association's activity was provided to the Finance Committee on the basis of consultation between the officers of the Association, and the small group including the Secretary of the University and Sir Peter Heatly, regarding the level of subvention provided to the Association each year.

The Chairman thanked Mr Drury for the report.

33 University Restructuring

33.1 PROJECT MANAGER'S REPORT

The Court received and noted a progress report on the restructuring project, as set out in agenda paper G1 for the meeting, together with a commentary by Mr SG Kay

33.2 REPORT OF THE RESTRUCTURING STEERING GROUP

The Court received and noted a report on the issues arising from the detailed deliberations of the Restructuring Steering Group over the six month period from March 2001, and on key recommendations emerging over that period. The report (agenda paper G₂ for the meeting) detailed the consultative process led by the group, and the key parameters within which proposals had been developed, and set out information relating to:

- Background rationale and process of restructuring planning
- Management and organisational structures
- Policy and structures for research strategy, teaching and learning
- Issues relating to finance and resources, space and staffing
- Computing and Information Technology
- Communications strategy and student consultation

In addition, the Principal presented to the Court a digest of progress to date and the next steps in the process, touching on each of the aspects above and giving further detail on financial issues and management of change, complementing Mr Kay's report. He laid particular emphasis on:

- The target of the further £5million per annum cost reduction by the end of 2002/2003 (£1m approximately having already been achieved) leading to a break-even position for the University in 2003/04
- The absolute commitment of the University to the achievement of the restructuring plan, exemplified by the monthly monitoring and reporting procedure which had been instituted.
- The implementation and publicising of a voluntary severance programme

In terms of structures, the next steps would relate to:

- The dis-establishment of current departments of study
 - The establishment of Schools and post-graduate institutes
 - The appointment of new Heads of Schools from 1st August 2002
- [These matters are dealt with in Minutes 28.1 and 33.3 of the present meeting]

The Principal also drew the attention of the Court to:

- The development and comprehensive discussion of the Strategic Partnership Scope Document relating to IS/IT, building on a detailed short-term plan

- The future rôle to be determined for Deans, Faculties and Principal and Deans Committee
- The need to clarify the remit of the new Planning Management Executive and memoranda of understanding on the detailed future rôles of Vice-Principals, Principals and Heads of Schools

and the priority to be laid upon:

- The maintenance of a high quality learning experience for students during the period of transition
- The fair implementation of severance arrangements for staff
- The motivation of colleagues to continue to maintain and enhance the quality of teaching and research
- Recognising and acknowledging the commitment of the various stakeholders – the Court, the Funding Council, the University's bankers – to the Restructuring Plan.

Comments from members centred on the need to reconcile the introduction of simple effective and pragmatic measures to secure the University's future with the desire to maintain the consultative democratic ethos of the University. This was closely related to the process of redefining what functions Faculties and Deans would be expected to fulfil, and how the overall process could be accommodated, as was intended, within the provisions of the University's Charter and Statutes. There was a consensus on the absolute need to achieve the targets.

33.3 APPOINTMENT OF HEADS OF SCHOOLS

A meeting of a committee constituted under Ordinance 26 to consider the appointment of Heads of Schools had been held on Monday, 22 October 2001.

The meeting had agreed that the Principal would make the following recommendations to the Court:

SCHOOLS	HEAD
The Built Environment	Professor J A Swaffield
Engineering and Physical Sciences	Professor J D C Jones
Life Sciences	Professor F G Priest
Management and Languages	Professor J Fernie
Mathematical and Computer Sciences	Professor R J Pooley
Textiles and Design	Professor D G Owen

All appointments were from 1 August 2002, and the lengths of appointments would be agreed on an individual basis in due course. From 1 November 2001 the appointees would be recognised as Heads of School Designate.

The Directorship of Edinburgh Business School, and the Headship of the Institute of Petroleum Engineering remained unaffected.

Disposal: Approved

Court

Minutes

In the Chair: Professor E Brown

Date of Meeting: 10 December 2001

Present also: Principal J S Archer
Mr D A Brew
Mr D A M Brown
Mrs S G Charlesworth
Mr H Collis
Mr J Dignan
Mr B Drury
Mr G J N Gemmell
Dr C G Greig
Mr D H Guest
Sir Peter Heatly
Mr R Jobson
Professor P W Jowitt

Mr S G Kay
Ms J Lowe
Ms G A McDonald
Professor D G Owen
Mr C P Robinson
Councillor A Scobbie
Dr R Summers
Professor J A Swaffield
Mr A B Taylor
Professor A C Todd
Professor C Viney
Dr S Zachary

In attendance: Professor R R Leitch, Assistant Principal
Professor A C Walker, Assistant Principal
Professor B S Wherrett, Dean, Science
Professor J E L Simmons, Dean, Engineering
Professor I Mason, Dean, Economic and Social Studies
Mr P L Wilson, Secretary of the University
Mr S L L Paterson, Finance Director
Mr R V Parkinson, Senior Assistant Secretary
Mr P Kerr, Director of Estate and Building Services
Mr W R McGookin, Director of Planning Office
Mrs M Thornton, Director of Corporate Communications
Mr K M Ross, Interim Director of Personnel
Mr A G Hood, Assistant Registrar

Mr P Gregory, Director of Planning and Development, Scottish Borders Council
Mr D M Nicolson, Interim Director of Finance-Designate

34. WELCOME

The Chairman welcomed Mr D M Nicolson to the meeting (cf Minute 43.2 below).

35. APOLOGIES

Apologies for absence were intimated from The Rt Hon The Lord Mackay of Clashfern, Mr Bissett, The Hon Lord Johnston, Mr Morrison, The Hon Lord Penrose, Mr Polson, Mr Rudd and Ms Savage.

36. MINUTES

The Minutes of the meeting of the Court held on 29 October 2001 were approved.

37. QUALITY ASSURANCE AT EDINBURGH COLLEGE OF ART

A working group involving appropriate staff from both the College and the University had been set up, and would meet for the first time on 12 December to progress this matter.

38. UTILITY COSTS

With reference to Ct 29.1/01-02 it was reported that consumption of electricity was 3.3% above that at the equivalent date in the previous year, whereas gas consumption was 2.8% down. This might be attributable to the mild weather during October 2001.

Due to tariff changes, however, overall costs in the area of energy were some 37.6% greater than in the previous year, an increase foreseen and budgeted for. It was reported that measures to restrain the use of energy were being developed and would be progressively implemented.

This was viewed as an unacceptable trend, and it was agreed that the Court would return to this topic at the next meeting.

39. STUDENTS ASSOCIATION REPORTS

With reference to Ct 32/01-02 it was reported that it had been agreed with the Students Association that they would present the activities of the Association at the March 2002 meeting of the Court.

40. Communications from the Principal and the Principal's Management Group

40.1 RESEARCH ASSESSMENT EXERCISE

The Principal reported that the University would receive notification of the outcome of its submission under the Research Assessment Exercise on 11 December 2001, prior to publication on 14 December. The University expected recognition of its increased proportion of research-active staff, and of enhanced quality, to be reflected in improved gradings.

It was noted that SHEFC had indicated its intention of supporting such increases and improvements with appropriate funding. Universities Scotland had also urged the Scottish Executive to respond to the sector's investment, and to recognise the research base as an important engine of the Scottish economy, and worthy of generous treatment.

It was also noted that Professor J Sizer would retire at 31 December 2001 as chief executive of SHEFC, to be replaced by Mr R McClure.

40.2 STUDENT COMPLAINTS

The Court received, as agenda paper A for the meeting, details of a proposed scheme for the independent review of student complaints, to be operated jointly by the Scottish Universities.

In discussion, issues were raised relating to costs, the level of risk analysis undertaken regarding precedents and consequent obligations on the University, and the relevance of human rights legislation

Disposal: Agreed to defer a decision pending further information, and that Mr Brew would prepare a paper for discussion at a future meeting.

41. Communications from the Senate

41.1 APPOINTMENT OF VICE-PRINCIPAL

The Senate had noted that Professor D G Owen had resigned from the office of Vice-Principal with effect from 31 December 2001, in order that he might take up the post of Head of the School of Textiles (the Vice-Principal was not permitted to hold concurrently the office of Head of Department).

In accordance with the terms of Ordinance 32, the Senate had agreed to recommend to the Court that Professor J E L Simmons be appointed Vice-Principal from 1 January to 31 July 2002 in the first instance (the unexpired portion of the period of office of the current Vice-Principal). It was envisaged that at the expiry of this period Professor Simmons would undertake a further 2 year term of office as Vice-Principal.

The Senate had noted that Professor Simmons would continue as Dean of the Faculty of Engineering until the future role of the Deans had been clarified, and that in circumstances where there might be a conflict of interest, Professor P F G Banfill, the Sub Dean of the Faculty of Engineering, would deputise for the Dean.

The Senate had acknowledged the contribution which Professor D G Owen had made to the University during his period of office as Vice-Principal.

Disposal: Noted and approved

41.2 APPOINTMENT OF HEAD OF SCHOOL OF TEXTILES

The Senate had noted that, in terms of Ordinance 26, a committee consisting of the Principal, Vice-Principal and the Deans of the Faculties of Science, of Engineering and of Economic and Social Studies had agreed to recommend to the Court that Professor D G Owen, currently Acting Head of the School of Textiles, be appointed Head of the School of Textiles from 1 January to 31 July 2002.

The Senate had noted that Professor Owen would become Head of the School of Textiles and Design on its establishment on 1 August 2002.

The Senate had noted the proposal with approbation, and had agreed to recommend to the Court that it be approved.

Disposal: Approved

41.3 VALIDATION ARRANGEMENTS BETWEEN THE UNIVERSITY AND EDINBURGH COLLEGE OF ART

The Senate had noted that the Principal's Management Group had approved a recommendation for the establishment of a joint working group to develop proposals for validation arrangements between the University and Edinburgh College of Art. The working group would include the following core members:

- Professor K J Cornwell, Director of Quality (Chairman)
- Mr P L Wilson, Secretary of the University
- Mr R McGookin, Director of Planning
- Professor I Howard, Principal, Edinburgh College of Art
- Mr M Wood, Secretary of Edinburgh College of Art
- Mr D Lawther, Director of Academic Development, Edinburgh College of Art.

The Senate had agreed to advise the Court of this matter for information.

Disposal: Noted

41.4 QUALITY AND STANDARDS IN HIGHER EDUCATION

The Senate had noted that the Quality and Standards Forum (QSF) had been advised that there was considerable uncertainty with regard to the future of the Quality Assurance Agency in Scotland. The governors of the Scottish HEIs were supportive of a single UK QA system, rather than a separate procedure for Scotland, and had communicated this proposal to SHEFC. The Scottish sector as a whole was supportive of a review-free year in session 2002-03 which would enable institutions to concentrate on developing their internal quality assurance procedures.

QSF had agreed that there should be a debate within the University on quality assurance, quality enhancement and the future role of the Quality Assurance Agency, to ensure that the University could establish a position on these matters and provide a collective response to the ongoing discussions.

QSF had further agreed that the Director of Quality should prepare a range of questions to encourage debate in these areas, and should submit a paper to Faculty Boards for consideration in January 2002. Responses to the discussion paper would be considered by QSF.

Disposal: Noted

41.5 THE UNIVERSITY'S ACADEMIC STRUCTURE

The Senate had noted that a joint meeting of the Principal's Management Group and the Principal and Deans Committee would be taking place in the near future, to consider the undernoted aspects of the restructured University's academic structure which had been considered by the Faculty Boards and the Postgraduate Studies Committee:

- Role of Deans and the Senate

- The Learning Board
- Research Co-ordination in the Restructured University

The Senate had agreed to advise the Court that once discussions had taken place at the aforementioned meeting, recommendations would be made to the Senate for consideration.

Disposal: Noted

42. Audit Committee - Report

42.1 AUDITORS' REPORT

The Committee had received the auditors' report on the annual audit (Appendix A to agenda paper C) and had noted the following matters:

- 1) Working closely with University finance office staff, the auditors had done substantial work during the year on checking the year end forecasts. The deficit attributable to the University was more than £7m, as, despite a rise in income of 8.4%, there was also a corresponding rise in pay costs, linked principally to the ongoing investments in research and distance learning. The University was taking steps to restructure its operations and to reduce pay costs within the current 3-year Planning period.
- 2) The Audit Committee had noted the importance of this restructuring for the University, and also the importance of an IT infrastructure which could support the proposed new 'Schools' structure. In this regard the ongoing review of IT within the University, which could involve a Strategic Partnership, was highlighted.
- 3) The bank re-financing was now in place, which was a necessary pre-requisite to an unqualified audit report.
- 4) The various late agreed audit adjustments for the Maths building, Scottish Knowledge, and the Scottish Borders Campus Student Union building, were confirmed.
- 5) Ernst & Young had recommended that, not only should the Development column be removed from the Income & Expenditure account, but also from the Balance Sheet reserve, by absorbing it into the Income & Expenditure reserve.

Subject to some final drafting issues to be agreed with the auditors, the accounts for the University and its subsidiaries could be finalised and taken to the Finance Committee.

Disposal: Noted

42.2 AUDIT RECOMMENDATIONS

The Committee had received recommendations from Ernst & Young arising from the audit.

- 1) E&Y strongly recommended that, within the Edinburgh Business School, a board member/senior manager be required to take ownership of annual budgets and monitor actual progress on a more regular basis than by the existing quarterly board meetings. It was also recommended, for budgetary control and finance reporting purposes, that the Head of the School or, if unavailable, his nominee, should report into the Planning and Management Executive in the same way as the other schools were already doing.
- 2) In relation to restructuring, E&Y had advised that the SHEFC guidelines required that External Audit review the procedures in place for severance pay.
- 3) It was also recommended that Internal Audit should review the credit control procedures for tuition fees, as this was becoming an increasing concern in the sector.
- 4) As well as a monthly review of income & expenditure, the auditors recommended a regular review of the balance sheet. This was consistent with the new requirement from SHEFC to report quarterly on the balance sheet and cash flow.

- 5) The recent problems with the Scholar contracts for Scottish Knowledge and the Scottish Executive indicated a need to have clear contracts drawn up and signed off before any expenditure was actually incurred.

Formal management responses would be considered at the next Audit Committee.

Disposal: Noted. These issues would be followed up by the Planning and Management Executive in consultation with the Committee. It was also noted that recovery of an additional £186k spent by the University on the Students Union building at Galashiels, and treated on the advice of the auditors as a loan, would be sought only once the operation became profitable, but the position would be assessed on a regular annual basis. The Chairman expressed the appreciation of the Court to Dr Summers and, through him, to the Audit Committee.

43. Finance Committee – Report

43.1 November 2001 Meeting

43.1.1 FOOTBALL ACADEMY

- Noted that Heart of Midlothian had intimated that they wished to continue with the project.
- Noted that the University continued to await a guarantee or equivalent security covering Hearts' share of the capital costs; and a user agreement relating to the facilities.
- Noted that efforts were continuing to contain the design price within £5.9m as a prerequisite to proceeding.

The Secretary of the University reported that correspondence with Heart of Midlothian's lawyers had not yet elicited an acceptable form of guarantee, and had revealed additional issues requiring resolution. There would be a meeting on 11 December to address these and the fundamental question of eliminating any further risk to the University. This entailed securing Hearts' £3.5 million capital contribution and a guarantee of income from usage of the facilities in the early years, subject to review in comparison with the retail price index.

It was also reported that the planning authority had imposed a Section 75 planning regime on the project to restrain commercial exploitation of the scheme, in view of its location in the Green Belt. The intention that the University should take a 2/3 share of usage should, however, meet the terms of this condition.

Disposal: It was agreed that the full Court be kept aware of any material developments in negotiations arising before the next meeting of the Court in February 2002.

[Mr Robinson withdrew from the meeting during consideration of this item, stating his interest as Chief Executive of Heart of Midlothian plc]

43.1.2 BANK LENDING

- Noted that, after the Court meeting on 29 October, a sum of £10m was to be drawn down from the main borrowing facility with Lloyds TSB, subsequently completed at an overall cost of 5.05% per annum, and the amount of any further draw-down, expected in December, would depend on the requirements of the restructuring programme.
- Agreed that the sub group recently set up to finalise the Lloyds TSB borrowings should review the Clydesdale Bank borrowings to consider repayment terms and fixed interest rates.

Disposal: Noted. It was further noted that the expected December draw-down had been postponed until January 2002. The overall provision included the funding requirement for the University's share of the Football Academy

43.1.3 MANAGEMENT ACCOUNTS TO 31 OCTOBER 2001

- Noted management accounts for the three months to 31 October 2001, in a format designed to permit summary feedback to SHEFC as part of their quarterly monitoring requirement.
- Noted an operational summary for the period, indicating an actual deficit of £934k in comparison with the budget-forecast deficit of £1538k, mainly due to short-term cost savings by management action in pay and non-pay areas.
- Noted that the milestone on numbers of student registrations and associated fee income, net of abatements, had been successfully reached.
- Noted trading activities performance close to budget.
- Noted research activity increased by 18% on the equivalent quarter in 2000/01, but below budgeted expectation.
- Noted a balance sheet and cash flow summary for the period.

Disposal: Noted

43.1.4 QUARTERLY MONITORING REPORT TO SHEFC

- Noted that a template would be produced to match the requirements of SHEFC (cf Minute 43.1.3 above) and comprising
 - a) a financial report
 - b) a commentary relating progress to specified milestones
 - c) a forward perspective.
- Noted that the first report was due by 10 December, and that one of the main issues would be the progress of the staff restructuring programme in the relevant period.
- Noted that an assessment of the position would be made between 1 and 10 December, taking account of the distribution of applications in relation to the continuing needs of the University, and that the outcome would be incorporated in the SHEFC report.

Disposal: Noted (cf also Minute 44.2 below)

43.1.5 ANNUAL ACCOUNTS 2000-2001

- Noted draft consolidated annual accounts and financial statements for the University relating to the year ended 31 July 2001, together with the report on behalf of the Committee by the Convener, Dr Greig.
- Discussed the treatment of fee abatements and scholarships, and agreed to include an explanatory note indicating that they had been recorded as a net reduction in income, both in 2000/01, and in comparison with 1999/00.
- Agreed to recommend the Accounts, as amended, to the Court for approval (the accounts were attached to agenda paper Di)

Subsidiaries

- Noted draft audited accounts and financial statements for University subsidiary companies for the twelve months to 31 July 2001.
- Agreed to recommend the accounts, as set out in Appendices C to H of Agenda Paper Dii, to the Court for approval.

Letter of Representation

- Noted, as Appendix A to agenda paper Di, the terms of a letter of representation required by the external auditor.
- Agreed to recommend the terms of the letter to the Court for approval.

Disposal: The Court approved the draft consolidated accounts for the University. The Court further approved the accounts of the University's subsidiaries and, after discussion, the terms of the letter of representation.

43.2 ANNUAL REPORT TO COURT

The Court had received, as agenda paper Dii for the meeting, the annual report of the Finance Committee. In presenting the report, the Director of Finance related the present position of the University to the context of past performance and the University's progress towards its aim of achieving a break-even position on recurrent core activity by financial year 2003-2004.

The University had incurred a consolidated deficit in 00/ 01 of £4.8m, which was less than the previous year's operating deficit of £6.4m, but more than the planned operating deficit of £2m. During the year, the University management, with the support of the University Court (Finance Committee), had implemented strict cost controls over pay and non-pay expenditure, including closely monitoring recruitment and other costs, in order to reduce the operational deficit. The main reasons why the planned deficit had not been met were as follows:

		£m
Income Shortfalls	• Tuition Fees (Home and Overseas)	(0.7)
	• Increased Tuition Fee Abatements	(1.1)
	• Research Overheads	(0.5)
	• EBS Unext contract	(1.0)
		<u>(3.3)</u>
Expenditure Overruns	• Interest Payable	(0.4)
	• Capital project costs w/o	(0.5)
		<u>(0.9)</u>
Savings	• Non Pay cost savings (net)	1.4
		<u>(2.8)</u>

In response to this unsustainable financial position, the University had instigated a fundamental restructuring of its operations. The financial impact of the restructuring, which was budgeted to cost £6.7m over the next two years, 01/ 02 and 02/ 03, would see a £6m recurring reduction in the University's cost base to bring the University's annual income and expenditure into balance. Long-term bank funding was being put in place to provide an appropriate financial structure.

The other salient points made in the report were as follows:

- During the year, the University had invested c£3m in its buildings and estates, primarily expenditure on an extension to an investment property on the Research Park, and new incubator units at the Scottish Borders Campus. Specific long-term borrowings were used to fund the former, and substantial third party grant funding was used for the incubator units.
- The impact, on the University's group overdraft, of a net cash outflow from operating activities of £5.1m and some net capital expenditure, had been to increase the net overdraft from £1m to £7m
- The University had, as planned, incurred further spending from the SHEFC grant of £949k to facilitate 'Strategic Change' at Galashiels, mainly staff restructuring and student facilities.

- d) The University was taking steps substantially to reduce its current cost base, in order to maximise in the longer term the positive impact of its investment in its research resources, learning materials and knowledge transfer activities, although the benefits were not expected until the latter half of the current 3-year planning period 01/ 02 to 03/04.
- e) The University, primarily through its academic regeneration programme and the longer-term impact of wage inflation in excess of the annual increase in funding council grants, had incurred increased staff costs amounting in total to 61.7% of gross income. Within the current strategic plan staff costs were expected to fall, through restructuring and income growth, to 56.9% of gross income.
- f) The University, as part of its Strategic Plan, was investing in new flexible, distance learning materials. During the year, a net investment of £569k had been made in such materials and fully written off. Further net investment of a similar nature was planned for 01/ 02, with the materials being self-financing as from the year after that.
- g) Endowment assets were valued at £5.3m at the end of the financial year, reflecting an 8% increase on their opening value. All endowment funds were now backed by invested long-term assets or short-term cash balances.
- h) The University was now formally reporting to the SHEFC on a quarterly basis, with a particular emphasis on comparing the financial performance to plan, and on how the University restructuring was progressing.

The Court noted the report.

It was reported to the Court that the Director of Finance, Mr Paterson, would shortly leave the service of the University to pursue his professional career in the private sector. The Court acknowledged Mr Paterson's tireless work on behalf of the University and of the Watt Club during his period as Director of Finance, and concurred with the Principal's expression of good wishes to Mr Paterson in his future undertakings. The Chairman welcomed Mr D M Nicolson, formerly Senior Partner in Edinburgh of KPMG, to the role of Director of Finance on an interim basis.

44. University Restructuring

44.1 INFORMATION SERVICES/TECHNOLOGY

The Principal reported that, after full discussion and consultation across the University, it was now intended to take the first steps towards identifying potential partners for the provision of information services and information technology, and that this strategy would be pursued on a step by step, incremental basis, according to the outcome of each stage.

44.2 PROJECT MANAGER'S REPORT

The Court received and noted a report on the restructuring project, as set out in agenda paper E for the meeting, which detailed progress to date in relation to the voluntary severance scheme, and made recommendations for the further prosecution of the restructuring project. The Court noted that the proposals had the support both of the Principal's Management Group, and of the Staffing Strategy Committee, and had been aired at the Senate.

The recommendations were;

- 1) In view of the relative success of the voluntary severance package, the offer should be extended for a further period to 18 January 2002; Heads of Schools and of central functions to make the new structures clear to staff so that further volunteers might be sought both from academic and from support areas. Court should then take a decision on the matter of compulsory redundancies at its meeting on 4 February 2002.
- 2) The voluntary severance management committee to start work without delay to finalise numbers, and conditions of severance for those who had to date volunteered
- 3) To approve the principles of the Administration restructuring , in Schools and centrally

- 4) To approve the provision of outplacement and independent financial adviser services within the restructuring budget

Disposal: Approved. It was further agreed that, as part of the commentary to be sent to SHEFC in terms of their quarterly monitoring of the University's finances, there should be reference to the agreement to extend the voluntary severance scheme, and a clear statement of the Court's active involvement in this and associated decisions.

45. APPEAL AGAINST DECISION OF THE SENATE

It was reported that notice of appeal had been received from a candidate for the degree of BA against the class of degree awarded. This matter would be referred initially to the Moderator for appeals, Sir Peter Heatly.

Court

Minutes

In the Chair: Professor E Brown

Date of Meeting: 4 February 2002

Present also: Principal J S Archer
Mr G Bissett
Mr D A M Brown
Mrs S G Charlesworth
Mr H Collis
Mr J Dignan
Mr B Drury
Mr G J N Gemmell
Dr C G Greig
Mr D H Guest
Professor P W Jowitt
Mr S G Kay

Ms J Lowe
Ms G A McDonald
Mr J D Polson
Mr N R Rudd
Councillor A Scobbie
Professor J E L Simmons
Professor J A Swaffield
Mr A B Taylor
Professor A C Todd
Professor C Viney
Dr S Zachary

In attendance: Professor D R Hall, Assistant Principal
Professor R R Leitch, Assistant Principal
Professor P N O'Farrell, Assistant Principal
Professor D G Owen, Assistant Principal
Professor I Mason, Dean, Economic & Social Studies
Professor B S Wherrett, Dean, Science
Mr P L Wilson, Secretary of the University
Mr D M Nicolson, Interim Director of Finance
Mr R V Parkinson, Senior Assistant Secretary
Mr P Kerr, Director of Estate and Building Services
Mr W R McGookin, Director of Planning Office
Mrs M Thornton, Director of Corporate Communications
Mr K M Ross, Interim Director of Personnel
Mr A G Hood, Assistant Registrar

Professor J D C Jones, Head of School Designate, Engineering & Physical Sciences
Professor R Pooley, Head of School Designate, Mathematical & Computer Sciences
Professor F G Priest, Head of School Designate, Life Sciences
Professor B G D Smart, Head, Institute of Petroleum Engineering

Mr P Gregory, Director of Planning and Development, Scottish Borders Council

46. APOLOGIES

Apologies for absence were intimated from The Rt Hon The Lord Mackay of Clashfern, Mr Brew, Sir Peter Heatly, Mr Jobson, The Hon Lord Johnston, Mr Morrison, The Hon Lord Penrose, Mr Robinson, Ms Savage and Dr Summers.

47. OBITUARIES

Professor Sir Frederick Stewart

The University had noted with sadness the death, on 9 December 2001, at the age of 85 years, of Professor Sir Frederick Stewart, formerly Dean of Science at the University of Edinburgh, and an honorary graduate (DSc July 1978) of the University.

Dr Jack Addelee

The University was deeply saddened to hear of the sudden death of Dr Jack Addelee in the early morning of 12 December 2001.

With over 33 years service as lecturer and senior lecturer, Jack was one of the forming influences in mechanical engineering teaching and research at Heriot-Watt.

His teaching-related experience, including 10 years as Deputy Head of Department and periods as Mechanical Engineering Course Co-ordinator, was much valued by students and colleagues alike. His personal qualities were particularly effective in his latest role as Chair of the Departmental Recruitment Committee.

Dr R D Brown

The University was saddened to hear of the death of Dave Brown on 24th January 2002, following an illness of almost two years.

Dave joined the University in 1972, and had a profound and sustained influence on mechanical engineering teaching and research until he became unable to work regularly. Even then, Dave was often to be seen with his colleagues and continued to make contributions up to his last weeks. His stoicism and determination during this period was an example to all.

Dave was well known in the research field of Dynamics of Machines, particularly for his work on bearings. This latter work led him into applications of chaos theory. This, in turn, led to wry comparisons by his colleagues with his office, which was famed for its apparent disorganisation, although Dave clearly had an algorithm for locating every piece of paper with pinpoint accuracy.

48. NEW YEAR HONOURS

The Court noted with pleasure the following awards conferred in the New Year Honours:

Professor Emeritus Alistair G J MacFarlane – Knight Bachelor
 Dr R Summers – Honorary Graduate and Member of Court – OBE
 Professor Julian D C Jones (Head of Department of Physics) – OBE
 Dr Ian Hamilton Finlay – Honorary Graduate (DLitt, Art & Design) – CBE
 Mrs Fiona M Baikie (Principal & Chief Executive, Telford College), Member of Convocation – OBE
 Professor Gordon S Milne – Member of Convocation representing University of Aberdeen – OBE
 Professor Sally A Brown – Member of Convocation representing University of Stirling – OBE

And the following, announced in February 2002

Marjorie Scardino -- Honorary Graduate (DLitt 2001) --DBE

49. MINUTES

The Minutes of the meeting of the Court held on 10 December 2001 were approved, subject to the correction of Minute 38 third sentence to read

‘Due to tariff changes however, gas costs were some 37.6% greater than in the previous year, an increase foreseen and budgeted for’

50. UTILITY COSTS

With reference to Ct 38/01-02 it was reported that, up to 21 December 2001, electricity consumption was 7% up and gas consumption 4.6% down on the previous year. In cash terms this was a 15% increase, equivalent to £68k. The Planning and Management Executive was considering proposals to curtail this trend. The Court agreed to return to this topic at each meeting until there was real evidence of improvement.

51. STUDENT COMPLAINTS

With reference to Ct 40.2/01-02, the Court had received fuller information on the proposed scheme for the independent review of student complaints, and was made aware of the observations by Mr Brew regarding the attitude of the Scottish Executive, the University’s discretion in identifying an independent assessor, and the costs of alternative arrangements to secure the desired external scrutiny. It was noted that the Secretaries of the Scottish Universities retained their preference for a joint scheme, and were giving attention to the issue of costs and the recovery of expenses. The Court agreed

to support the sectoral approach to this matter, noting that it would be reviewed after 2 years of operation.

52. FOOTBALL ACADEMY

With reference to Ct 43.1.1/01-02 the Secretary reported that progress was being made towards agreement, including confirmation from Sport Scotland of support for the specific scheme now being finalised. There was a deadline for acceptance of the present cheapest tender, and the Court confirmed the view taken at its meeting in December 2001 that the full Court be kept aware of developments and be provided with full documentation before any final decision was taken. Planning consent had been given.

53. QUARTERLY MONITORING REPORT

With reference to Ct 43.1.4/01-02 it was noted that SHEFC had made a brief response to the first report, and would provide further feedback in due course.

54. Communications from the Principal and Planning and Management Executive

54.1 INSTITUTE OF PETROLEUM ENGINEERING – USE OF TITLE

At its meeting in October 2001 (Ct 2 28.1/01-02) the Court had approved the disestablishment, from 31 July 2002, of Departments of Study, and the establishment of 6 new Schools and 2 Postgraduate Institutes with effect from 1 August 2002.

The Department of Petroleum Engineering, which was to be called the Institute of Petroleum Engineering, had sought permission to use the new title earlier.

This would be very beneficial to the Department as the oil companies' budgets, which would be published earlier than 1 August 2002, might be influenced by such a change in title, and the University might stand to benefit financially.

The Principal had agreed to invite the Court to approve the use of the new title with immediate effect.

Disposal: Approved

54.2 UNIVERSITY SUPPLEMENTARY PENSION SCHEME

It was reported that the above scheme, applicable to certain ex members of staff of the former Scottish College of Textiles, was operated by a Board of Trustees of which the Chairman, Professor C E R Maddox, had intimated his desire to stand down with immediate effect. On the nomination of the Principal and with the support of Mr Taylor and Dr Summers, both trustees of the scheme, the Court agreed to appoint to the board, and as its Chairman, Mr P L Wilson.

54.3 RAE 2001 RESULTS

The Principal advised the Court that results of RAE 2001 which were published in December 2001 had been very positive. In particular he referred to the following:

- the University was top in the UK for Petroleum Engineering and Actuarial Mathematics and Statistics
- the University was top, or equal-top, in Scotland for Building Engineering, Applied Mathematics, Biotechnology (Food and Drink), Business and Management and Chemical Engineering
- all research areas in engineering and physical sciences and in management and languages were now grade four and above
- the University had the largest percentage increase in the number of research-active staff included in any submission from any University in Scotland
- 83% of the University's academic staff were submitted as research-active, the third highest proportion in Scotland after the Universities of St Andrews (89%) and Edinburgh (84%). The

University was ranked third in Scotland by the *Financial Times* after the Universities of St Andrews and Edinburgh

- the number of University staff working in 5 and 5* graded subjects had almost doubled since RAE 1996.

It was reported that to fund the grade and volume increases whilst maintaining the current units of resource for grades 4 and 5 would require an additional £40M on top of the SHEFC £116M RAE formula budget in 2001-02. The Principal advised that consideration would be given to offsetting the funding implications caused by movements towards excellence in research, and highlighted the need to maintain research activity at a higher level.

54.4 ILT MEMBERSHIP

The Principal advised the Court that Dr D Hand, Department of Physics, had recently become the University's one hundredth member of ILT. Dr Hand had received his certificate at a special ceremony attended by Professor S Brown, Director of ILT Membership. The University had one of the highest proportions of membership in the UK.

54.5 POSTGRADUATE STUDENT NUMBERS

The Principal advised the Court that the University's postgraduate student numbers over the seven years from 1995-96 indicated some very encouraging growth, particularly in respect of the following:

- full-time overseas postgraduate entrants had increased three-fold
- the population of full-time postgraduate taught students had increased by approximately 60%, significantly outperforming Scottish and UK averages
- the total population of full-time research students had increased by 10% in the current year compared to last year, and had increased by 65% since 1995-96. There was some reduction in the number of full-time research student entrants in the current year which should be attributed to the impact of a more limited scholarship scheme
- with approximately 400 research students, the University was at the benchmark for research –led institutions.

The Court noted that the University faced the following challenges and opportunities:

- growth of distance learning courses and the significant impact upon part-time postgraduate numbers
- the challenge of maintaining sustained growth with minimal resources would require creative and interdisciplinary approaches and resource sharing.

54.6 UPDATE ON IS/IT STRATEGIC PARTNERSHIP

With reference to Ct 44.1/01-02 the Principal advised the Court that the University's OJEC notice had been posted in December and that 43 notes of interest had been received, including a number from key players in the field. It was anticipated that a number of formal submissions would have been made by 15 February, when the process of selecting a 'long-list' could begin.

The IS/IT Co-ordination Group was progressing with consultations and developments of a work plan to put in place core IS/IT support from August 2002.

54.7 THE ACCESS ELITE

The Principal advised the Court that in a recent issue of *The Times Higher* the University had been ranked fourth in a league table under the title of 'access elite', which ranked the UK's universities according to performance on access to those from low participation neighbourhoods, on non-completion rates, and on teaching and research quality.

54.8 SPENDING REVIEW 2002 – UNIVERSITIES SCOTLAND SUBMISSION

The Principal drew the attention of the Court to the submission made by Universities Scotland to the Scottish Executive's 3 year spending review, circulated with the agenda for the meeting. This set out the aspirations of Universities Scotland for the funding of Higher Education over the next 3 years,

drawing attention to the importance of the sector for the economy of Scotland, and to the attrition of public funding which rendered the continuing contribution to be made by higher education a problematic issue.

The Principal alluded specifically to the deficit budgets being endured by increasing numbers of institutions, the 40% reduction in public funding per student over the last 20 years, the need for support of measures to increase social inclusion in HE, and the issues, relating to pay recruitment retention and development of staff, highlighted by the Bett Report.

Some concern was expressed that in the context of a review by the Executive of Higher Education provision, the stance of Universities Scotland was insufficiently proactive or robust. In point of fact, however, the Universities Scotland response to the Executive's HE Review Stage 2 Consultation would be a different document, and the call for responses has not yet been issued. This was likely to take place in July, and a robust response was planned.

55. Communications from the Senate

55.1 ORDINANCE 16: APPOINTMENT OF ACADEMIC STAFF, ACADEMIC-RELATED STAFF AND THE LIBRARIAN

A revised Ordinance 16 had been prepared in consultation with the Director of Personnel and had been approved by Principal's Management Group. The revised draft ordinance included the following:

- The same procedures for the appointment of both full-time and part-time staff.
- Provision for the appointment of Teaching Fellows and Senior Teaching Fellows.
- Reference in the Ordinance to the Academic Promotions Board.
- Provision for both the Dean and the Vice-Principal to nominate a substitute to represent them.

The Senate had agreed to recommend to the Court that the proposed revised Ordinance 16, detailed in Appendix A to agenda paper C, be approved.

Disposal: Approved

55.2 ORDINANCE 37: APPROVED TEACHERS AND APPROVED TUTORS

Revisions to Ordinance 37, which had been prepared by the Learning and Teaching Committee (LTC), included the following:

- Procedures for the approval of on-campus and off-campus tutors.
- Provision of training requirements for approved teachers and tutors.
- Specification of duties of approved teachers and tutors.

The Senate had noted that 'approved supervisors' had been excluded from the revised ordinance and that provision for such persons should be made elsewhere in another ordinance.

The Senate had agreed to recommend to the Court that the proposed revised Ordinance 37, detailed in Appendix B to agenda paper C, be approved.

Disposal: Approved

55.3 HONORARY DEGREES 2002

The Senate had noted that the Honorary Degrees Committee, with the delegated authority of the Senate, had agreed that the undernoted be awarded honorary degrees:

<u>Date/Faculty</u>	<u>Honorary Graduand</u>	<u>Degree</u>
Tuesday, 9 July (am) Faculty of Engineering	Professor D J Wallace Vice-Chancellor Loughborough University	DEng

	In recognition of his distinguished career in academic Physics, in educational leadership, and in public service	
	Professor K J Weber Emeritus Professor, Petroleum Geology Technical University of Delft	DEng
	In recognition of his distinguished professional career and contribution to the area of petroleum geophysics	
Tuesday, 9 July (pm) Faculty of Science	Professor H Buehlmann Swiss Federal Institute of Technology	DSc
	In recognition of his distinguished academic career and contribution to Actuarial Science	
	Professor A H Zewail Director Laboratory for Molecular Sciences California Institute of Technology	DSc
	In recognition of his distinguished academic career and pre-eminence in the field of laser chemistry	
Wednesday, 10 July (am) Faculty of Economic & Social Studies	Ms S Rotenberg Poet In recognition of her poetic achievement	DLitt
	Ms E Glennie Musician In recognition of her outstanding musical career	DUniv
Wednesday, 10 July (pm) Faculty of Environmental Studies	Professor Sir Peter Hall Bartlett Professor of Planning University College London	DLitt
	In recognition of his distinguished academic career and contribution to planning and public policy	
Faculty of Art and Design	Sir Peter Maxwell Davies Composer	DUniv
	In recognition of his outstanding musical and artistic achievements	
Friday, 12 July (SBC) Faculty of Economic and Social Studies	Ms Kim Winser Chief Executive Pringle Scotland	DLitt
	In recognition of her contribution to the textile industry in her management of Pringle	
Saturday, 16 November	J Edwards Olympic Athlete	DUniv
	In recognition of his outstanding career as an athlete and rôle model to young people.	
	Sir John Krebs	DSc

Chairman
Food Standards Agency

In recognition of his distinguished career in academia
and in public service

The Senate had agreed to report the awards to the Court for information.

Disposal: Noted with pleasure

56. Audit Committee – Annual Report to Court

56.1 ADMINISTRATIVE MATTERS

This report covered the period from January 2001 to January 2002. In that period the following meetings of the Audit Committee had been held.

18 May 2001
24 August 2001
2 November 2001
12 November 2001
8 January 2002

The membership of the Committee in the period was:

Dr R Summers (Convener)
Hon Lord Penrose
Ms J Lowe
Mr D A Brew (appointed August 2001)
Ms Y Savage (appointed October 2001)
Mr G McKie (retired August 2001)

The terms of reference for the Committee had been considered at its meeting in January 2002. A revision to these terms – to include reference to risk management – was to be tabled and considered at the next meeting.

Disposal: Noted

56.2 INTERNAL AUDIT

The service for 2000/01 had been provided by Deloitte & Touche. Their original contract had been extended from three years to five years, and would finish at the end of 2002.

An extract from the internal auditors' Annual Report was attached to agenda paper D.

The draft plan of work for 2002 had been considered by the Audit Committee in January 2002 and would be formally confirmed at the next meeting in April 2002.

Disposal: Noted

It was noted that further tightening of internal financial control of the planning and budgeting process would be sought and implemented. The restructuring of the academic area into larger schools offered the opportunity to address issues of transparency, robustness and ownership of financial management within the University, with Heads of Schools acting to a more explicit remit regarding accountability.

56.3 EXTERNAL AUDIT

The external auditors were Ernst & Young. Their formal report on the accounts for the year to 31 July 2001 was unqualified.

The report by the auditors on the annual audit had been considered by the Audit Committee at its meeting on 12th November 2001, and the Recommendations to Management with Management

Responses was considered at the Audit Committee meeting on 8th January 2002. A copy of the executive summary of the latter report was attached to agenda paper D.

Disposal: Noted

It was noted that action was being taken on each of the points made by the External Auditor, and that the specific issue of the treatment of endowment funds had been separated from the accounting procedures for the main funds of the University

57. Collections Committee – Report

57.1 PORTRAIT OF JAMES WATT

The Collections Committee brought to the attention of Court a unique opportunity to acquire a highly significant original portrait of James Watt by Sir William Beechey. The painting, which had been valued in the region of £40,000, was the second of two portraits of Watt by Beechey.

As a provisionally Registered museum under the Resource Registration scheme, the Archive, Records Management and Museum Service was eligible for external grant funding towards acquisition, and could apply to the National Fund for Acquisitions Scotland and the Heritage Lottery Fund (HLF) for a combined total of up to 90% of the purchase cost. The remaining 10%, (roughly £4000, dependent on the outcome of independent valuations) would have to be raised by the University.

The Collections Committee commended the proposal to acquire this important painting, which fell clearly within the remit of the University's acquisitions policy. It was the Committee's expectation that the Court would not wish the University to underwrite the remaining £4000 of funding required.

Disposal: Noted

It was reported that a suggestion had been made that the Committee should approach the trustees of the Watt Club.

58. Finance Committee – Report

58.1 FOOTBALL ACADEMY

- Noted that further to a recent project board meeting, Heart of Midlothian were seeking an appropriate form of words from their bankers in relation to the required guarantee.
- Noted that the timescale envisaged for resolution of the funding guarantee was the next ten days.
- Noted that a similar guarantee would be sought in relation to the £1.3m in support to be provided by Sport Scotland.
- Noted that costs of £¼m had been incurred to date, and that Hearts had met their 70% proportion.

Disposal: Noted

58.2 SPORTS SCIENCE AND SPORTS MEDICINE COURSES

- Noted the undertaking given to the Court that the Committee would review the overall funding of the Sports Science and Sports Medicine degree programmes.
- Noted an outline summary of the relationship among the funding arrangements for the three discrete projects
 - i) the Football Academy
 - ii) provision of facilities for the new degree programmes
 - iii) the development of the southern portion of the Edinburgh Campus, and the associated infrastructure provision.
- Noted that the financing of the courses had been carefully scrutinised by the PMG at the time of their original proposal, but that the Court now wished to be able to relate this individual issue to the developing context.

- Agreed that the Secretary and the Director of Finance would produce a paper setting out the relevant figures for each area and permitting the informed comparison of different options.

Disposal: Noted

58.3 SCOTTISH KNOWLEDGE CONTRACT

- Noted that an acceptable basis of proceeding had been agreed, which protected the University's interest and also maintained the engagement with Scottish Knowledge, which was regarded as being a valuable one.

Disposal: Noted

58.4 TERMS OF REFERENCE OF THE COMMITTEE

- Noted the terms of reference of the Committee, approved by the Court in November 1997.
- Discussed the rôle of the Committee in evaluating major capital projects and in considering material expenditure not included in the University's agreed budget.
- Discussed the general function of the Committee in overseeing the financial affairs of the University, as distinct from the exercise of delegated powers in relation to specific matters.
- Noted the rôle and composition of the Vacation Committee.
- Agreed to propose to the Court that the terms of reference be slightly amended in the light of these considerations.

Disposal: Noted

58.5 MANAGEMENT ACCOUNTS TO 30 NOVEMBER 2001

- The Committee received and reviewed management accounts for the four months to 30 November.
 - i) Operational Summary
Noted a deficit for the period of £1.54m. This was £503k better than budget, but included two areas for attention (staff costs and research generation accounts), which could have a material influence on the year-end outturn.
 - ii) Analysis of Surplus/Deficit
Noted that overhead recovery on Research remained some 3.5% below the budgeted level, which was unsatisfactory.
 - iii) Cashflow Statements
Noted movement of funds since 31 July 2001 reflecting the influence of prepayment of a proportion of tuition fees and of certain SHEFC grants, and the drawdown of £10m in loan finance.

The following actions were agreed:

To pass for investment the sums held under the head of endowments

To assess and to seek to minimise any risk associated with the University's holding denominated in Euros.

To formulate proposals for the use of the balance of long term Lloyds/TSB loan finance (£8m).

Disposal: Noted

58.6 CREDIT FACILITIES WITH CLYDESDALE BANK

- Agreed to undertake further negotiation with the Bank on certain details of the proposed agreement.

Disposal: Noted

58.7 PLANNING MEETINGS – ACADEMIC DEPARTMENTS

- Noted a report by Professor Walker on planning meetings regarding finance and staffing matters held with all academic departments in November/December
- Noted the general conclusions from the meetings in relation to
 - i) out-turn for 00/01
 - ii) progress against current budgets
 - iii) forward plans

Disposal: Noted

58.8 RESEARCH COSTING AND PRICING

- Noted the establishment of a Research Costing and Pricing group to address the significant shortfall in research overheads, revealed in the accounts for the first quarter as a continuing trend.
- Noted a report on the group's findings and conclusions to date, and its proposed actions in developing controls and management mechanisms to improve pricing policy and to ensure effective implementation.

Disposal: Noted

58.9 UNIVERSITY RESTRUCTURING

- Noted a tabled paper by Mr S G Kay, setting out progress to date in relation to the Voluntary Severance Scheme.
- Noted that on present evidence the scheme would not yield enough cost savings to meet the University's target, and the commitments given to SHEFC and the University's bankers.
- Noted that consultation with trade unions was proceeding.
- Noted that an updated report would be made to the next meeting of the Court.

Disposal: Noted

58.10 RESEARCH PARK DEVELOPMENT

- Noted the intention of Scottish Enterprise Edinburgh & Lothian, arising from a study of potential for development on the Research Park, to engage in a joint venture with the University to provide infrastructure in readiness for increased numbers of tenants on the Research Park.
- Noted that the University would contribute the value of the relevant land, and the Enterprise Company would provide an initial £4m, plus further finance in stages up to £9½m, to be repaid over an agreed period out of rentals.

Disposal: Noted

58.11 TERMS OF REFERENCE

The Committee had considered its terms of reference and had agreed to recommend to the Court certain minor revisions as set out in the attachment to agenda paper F.

Disposal: Approved

It was further agreed that the Secretary of the University, in consultation with the Chairman of Court and Mr G J N Gemmell, would review and revise the remits of the other Committees of Court in relation to the amended management structure of the University.

59. AUTHORITY FOR BANKING ACCOUNTS WITH LLOYDS TSB SCOTLAND PLC

With reference to Ct 43.1.2/01-02 and in connection with the transfer of aspects of the University's banking procedures to Lloyds TSB Scotland, the Court resolved to pass 2 resolutions, in terms

requested by Lloyds TSB Scotland, each as set out in Appendix A hereto, in relation to accounts to be operated on behalf of the Alumni Fund and of the Edinburgh Business School Endowment Fund.

60. Ordinances and Regulations Committee – Report

60.1 AMENDMENTS TO BYE-LAWS OF THE STUDENTS ASSOCIATION

The Ordinances and Regulations committee had considered amendments to the Bye-Laws of the Students Association (SA) which had been approved by the Council of the Students Association.

The Committee had suggested minor amendments, which were acceptable to the SA, and had agreed to recommend that the proposed amendments detailed below be approved. The proposed new paragraph recognised that the SA required a person to have responsibility for representing students with disabilities and special needs. The proposed amendments were not repugnant to the Charter, the Statutes, or the Ordinances and the Regulations of the University.

- (i) Add the following new paragraph 4.15 and renumber existing paragraph 4.15 as 4.16.

“4.15 Special Needs Officer

Who shall be responsible to Council for

- (a) Representation, campaigns and the provision of information on all matters affecting students with disabilities and special needs.
- (b) Liaising with the University and attending the Disability Advisory Group.
- (c) Advising the Association on making provision for students with disabilities and special needs.

The Special Needs Officer shall be an Ordinary Member of the Association coopted by the Council. The Special Needs Officer shall normally be coopted in the Third Term of each year. “

- (ii) Add the Special Needs Officer to the list of members of the Associations Students Interests and Activities Committee in paragraph 3.11 (e) of the Bye-Laws.

Disposal: Approved

61. Staffing Strategy Committee – Report

61.1 UNIVERSITY RESTRUCTURING

The Committee had considered a report from the Restructuring Project Manager giving numbers and costs of the voluntary severance scheme. The committee had noted the following update to the numbers.

Total applications	166
Number accepted	66
Number on hold	76
Number rejected	25
<u>Target number</u>	<u>150</u>

The Committee noted that further meetings would be taking place in the Schools before the meeting of the Court in an attempt to encourage more staff to apply for the package. The meetings were to be attended by the President of the Heriot-Watt AUT.

The Committee noted that a further update on the Scheme would be provided for the Court at its meeting, following meetings with the trade unions on 31 January 2002.

The Committee noted that the figures given were as a result of the implementation of the Management of Change Policy approved by the Vacation Committee and ratified by the Court on 24 September 2001(Ct 13.3/01-02).

Disposal: Noted in the context of the report of the Restructuring Project Manager (Minute 62 below)

62. University Restructuring

JOINT REPORT FROM PROJECT MANAGER AND PLANNING AND MANAGEMENT EXECUTIVE

The Court received and noted a tabled paper (Appendix B hereto) prepared by the Project Manager and endorsed by the PME, which set out the present position in relation to the voluntary severance scheme, and made proposals and recommendations for the next stages of the Restructuring Project.

In introducing the report, the Principal made reference to the three elements of the strategy to date, namely strict management of staff vacancies, non staff budget savings and the severance scheme, and to the targets to be met. He also alluded to the measures adopted to keep staff informed, by consultation, support and counselling, and the transparency of the process.

Mr Kay provided a commentary on the issues covered by the report, recognising in particular the balanced and constructive contribution made by all the representative Trade Unions, and in particular the AUT.

The Principal outlined and explained the financial implications and outturn of the numbers of staff in the various categories coming forward for consideration under the severance scheme. This revealed a shortfall on the target but additional benefits were still being pursued.

Prior to considering the recommendations of the report, the Court discussed the issues raised by the Principal and Mr Kay, and the following points were raised:

- The effort and cooperation of all concerned had been exemplary
- The imperative to eliminate costs remained, but should be closely linked to the positive strategic emphasis of the restructuring
- A continuing awareness must be maintained not only of the total expenditure on restructuring, but of the patterns within the total, not least for the information of the University's bankers and the Funding Council.
- The sooner agreed measures could be implemented, the earlier the University would derive the benefit of reduced payroll costs.
- The issue of morale and motivation among staff members not accepted for voluntary severance would require sympathetic management.
- It would be important to maintain the necessary spread of functions, in order to safeguard options for development, to protect the interests of students and to secure delivery of courses. This had in fact been the rationale behind the deferral of severance in a number of cases
- New relationships between academic and support functions would require a new balance and cooperation between these areas
- The Finance Office should continue to monitor the success of the process in both staff and non-staff expenditure.
- It must be borne in on staff that the timescale for the present scheme was strictly limited, and that no more advantageous terms would be forthcoming.

[Those present who were not members of the Court withdrew from the meeting at this point, with the exception of Mr Gregory]

The Court addressed the recommendations set out in the report by PME.

These were

- That work on the voluntary scheme should continue, with continued regular reporting to the Court and, finally, to the meeting of the Court on 13 May 2002.
- That with AUT support, further targeted departmental meetings should be held to seek further volunteers, and that suitable candidates should be interviewed personally by the Head of School and senior HR manager (Mr S G Kay or Mr K M Ross) with a view to a mutually acceptable conclusion.
- That an active programme of Cost Reduction measures, some of which were already beginning, should be put in place without delay to supplement the voluntary severance procedures and to reinforce the University's need for further and continuing savings.

The Court agreed to approve and implement the recommendations, subject to the specification of responsibility for the Cost Reduction programme. In so doing, the Court accepted that the commitments on cost cutting which had been made to SHEFC, and also to the University's bankers, had to be met.

[Professor A C Walker would take responsibility for the Cost Reduction Programme and would report progress to the Court]

Court

Minutes

In the Chair: Professor E Brown

Date of Meeting: 18 March 2002

Present also: Principal J S Archer
Mr D A Brew
Mr D A M Brown
Mrs S G Charlesworth
Mr J Dignan
Mr B Drury
Mr G J N Gemmell
Mr D H Guest
Sir Peter Heatly
Professor P W Jowitt
Mr S G Kay

Ms G A McDonald
Mr J D Polson
Mr C P Robinson
Ms Y Savage
Professor J E L Simmons
Dr R Summers
Professor J A Swaffield
Professor A C Todd
Professor C Viney
Dr S Zachary

In attendance: Professor D R Hall, Assistant Principal
Professor D G Owen, Assistant Principal
Professor A C Walker, Assistant Principal
Professor B S Wherrett, Dean, Science
Mr P L Wilson, Secretary of the University
Mr D M Nicolson, Interim Director of Finance
Mr R V Parkinson, Senior Assistant Secretary
Mr P Kerr, Director of Estate and Building Services
Mr W R McGookin, Director of Planning Office
Mrs M Thornton, Director of Corporate Communications
Mr A G Hood, Assistant Registrar

Mrs M H Dane, Director, Office of Student & Academic Affairs
Dr V R F de Lima, Physician in Charge, University Health Service
Mr A Brown, Director, Student Welfare Services
Mr N Thow, Acting Director, Careers Advisory Service
Ms S Mach, Employer Liaison Manager
Ms E Mason, Students Association
Ms G Robinson, Students Association
Mr A Whitson, Students Association (SBC)

63. WELCOME

The Chairman, on behalf of the Court, welcomed to the meeting Mr D H Guest, reappointed to membership by the General Convocation of the University for a further 3 years to the date of its thirty-eighth meeting in 2005.

The Chairman also extended a welcome to Mrs Dane, Dr de Lima, Mr Brown, Mr Thow and Ms Mach, present for item 66, and to Ms Mason, Ms Robinson and Mr Whitson, present for item 65.

64. APOLOGIES

Apologies for absence were intimated from The Rt Hon The Lord Mackay of Clashfern, Mr Bissett, Mr Collis, Dr Greig, Mr Jobson, The Hon Lord Johnston, Ms Lowe, The Hon Lord Penrose, Mr Rudd, Councillor Scobbie and Mr Taylor.

65. STUDENTS ASSOCIATION REPORT

With reference to Ct 32/01-02 the Court received and noted, as agenda paper F for the meeting, the Annual Report of the Students Association. The members of the Students Association Executive provided further information on a number of the issues covered in the report, including the progress in developing Association services at the Scottish Borders Campus. The expectations of the students at Galashiels were broadly similar to those in Edinburgh, but the class representative system was less evolved, and engagement of the students with the work of the Association had yet to develop to the same level. There was therefore less feedback to the Association, but increased access to facilities particularly at weekends to meet the needs of increased numbers of overseas students, and work by the

Association to provide information on the quality of student lodgings and landlords, had increased involvement. Other influences included the incidence of debt and the need to find part-time employment, which left less time for involvement with the Association.

The rôle of the Association in raising awareness of financial issues and of possible sources of assistance was noted, although questions of eligibility meant that these were often not available to overseas students. It was the experience of the Association that overseas students' energies were focussed more on their studies than on seeking employment during their course. The Association could however play an important rôle in integrating overseas students into the student community.

The appointment by the Association of a Special Needs Officer was noted with approval, and the Court was made aware of the co-operation already in place between the Association and the University's Adviser to Students with Special Needs.

In thanking the Office bearers of the Association for their report, the Chairman complimented them and their colleagues on the energetic and comprehensive rôle of the Association in the student life of the University, and their success in being of service to the whole student body.

66. WELFARE ISSUES

The Court had received reports from the Welfare Committee, the Director of the Office of Student and Academic Affairs, and the Chaplaincy, together with the Annual Report of the University Health Service (2000-2001) and of the Careers Advisory Service for the same period. These papers were consolidated as agenda paper E for the meeting.

In introducing the reports, the Director, Mrs Dane, indicated that the Welfare Committee continued to operate predominantly through its sub-committee structure, together with special working groups established to address particular issues as they arose. The Committee provided a robust forum for the Students Association representatives to interact with the Student Services providers within the University, and this interaction continued to be extremely beneficial to all parties. The report sought to account for the use of resources spent on providing the full range of University services to students during the academic year 2000-01, and also highlighted for the attention of the Court certain issues relating to student welfare and the University's duty of care. The report illustrated the continuing contribution of the four student and academic areas of the Office of Student and Academic Affairs to the success of the University, and their ability to respond quickly and effectively to an ever increasing and complex workload within the constraints of reduced resources.

Mrs Dane touched upon the following areas of activity of the Welfare Committee:

- Student Services Sub-Committee – a valuable forum for the exchange of information and experiences across the support services and the Students Association.
- Disability Advisory Group – responsible for ensuring compliance with legislative requirements and for spreading good practice in teaching and learning methods for students with disabilities.
- Student Helplines and Guide to Student Services – the provision of help and guidance in a structured form, building on previous years' experience.
- Equal Opportunities and Anti-Harassment Policies – codification of policy in these areas to permit a standard but sensitive approach to problems and the protection of students.
- Student Complaints Procedure – monitoring of procedures to verify that issues were dealt with at the earliest and least formal stage possible.
- Wardens – now transferred to the supervision of Welfare Services.

The Court noted the report, and concurred in the tribute to the achievements of the wardens voiced by Professor Wherrett. The reports of the Office of Student and Academic Affairs, the Careers Advisory Service, the Chaplaincy and the Health Service were received and noted with appreciation. The Chairman expressed, on behalf of the Court, gratitude to those involved for the commitment and application revealed in the extremely broad range of services and activities set out in the reports.

The following were among the points raised in the discussion of the reports:

- The rôle of the International Students Advisory Service was noted with particular appreciation.
- The performance of the support services was reviewed both by external audit and by self assessment, in the setting of goals and objectives and the monitoring of progress against expectations, together with feedback from users.

- The guidance service run collaboratively by the Careers Advisory Services of the 4 Edinburgh Universities and with the careers company Graduates for Growth was welcomed.
- The rôle of Careers Scotland in seeking to integrate vertically the provision of careers advice was noted, although Higher Education would remain to some extent self-contained.
- It continued to be difficult to obtain consistent and reliable sponsorship income from employers.
- The successes recorded in the report of the Chaplaincy drew favourable comment, in particular the Annual Lecture and participation in the Wednesday Fellowship Meal.
- The addition, to the range of Health Service provision, of an optician service was noted.
- The development of a strand of mental health care was welcomed, with the introduction of regular visits to the campus by a psychiatric team.
- An increasingly diverse student population brought more varied problems than in previous years, but it could not be determined whether overseas students used the Health Service significantly more than their UK counterparts. Whereas they had to contend with transcultural issues, they did not appear to suffer more than the generality of students from study-related stress.
- It was noted that some issues remained unresolved between the University and the district valuer in relation to the Health Service premises. It was agreed that these should be addressed urgently.

67. MINUTES

The Minutes of the meeting of the Court held on 4 February 2002 were approved.

68. UTILITY COSTS

With reference to Ct 50/01-02 it was reported that, up to 28 February 2002, gas consumption was 2% down and electricity consumption was 1% down on the corresponding period in the previous year. However in money terms this had generated an increase of 22% in costs, representing £155K. It was noted that the previous contract in relation to gas supply had been particularly favourable, and tariff changes, together with the effect of the climate change levy, had played a significant part in the increase. It was noted that measures to contain the use of energy were in hand, including the reduction of periods of heating in all buildings and the intended appointment of an Energy Officer, to be financed out of the savings which were sought.

69. FOOTBALL ACADEMY

With reference to Ct 52/01-02, the Secretary reported that the disparate elements of the agreement were nearly all in place, and that subject to the finalisation of detail, it was likely that formal approval to proceed would require to be given within the next 10 days. The Court noted, within the report of the Finance Committee (Minute 77.1 below) the information relating to the Sports Science and Sports Medicine courses and their interrelationship with the Football Academy project requested by the Committee (Ct 58.2/01-02 refers). After discussion, it was agreed to proceed with the project once an acceptable contractual basis had been agreed, and that the Vacation Committee should act on behalf of the Court when this was achieved.

70. IS/IT STRATEGIC PARTNERSHIP

With reference to Ct 54.6/01-02, the Principal indicated, in response to a question, that the process of seeking possible partners for the provision of IS/IT requirements was proceeding in a staged fashion, with input from internal University advisory groups, and that an initial list would be drawn up from which a narrower selection would be made.

It was noted that while the academic merits of the partnership approach had been debated in the Senate, the Court had as yet authorised only preliminary negotiation, and that a recommended route and business case would require to be presented to the Court. It was also noted that the University had incurred expenditure in consultants' fees in relation to the project, but that this had been provided for in the IT budget.

71. CONFIRMATION OF AMENDED ORDINANCES 16 AND 37

With reference to Ct 55.1 and 55.2/01-02, the Secretary reported that a copy of the revised Ordinance 16 and of the revised Ordinance 37 had been publicly displayed within the University for the period of 28 days prescribed in Article 25 (1) of the Charter, and that no comment thereon had been received. The Court accordingly confirmed, in terms of Article 26 of the Charter, the amendments to Ordinance 16 and to Ordinance 37.

72. PORTRAIT OF JAMES WATT

With reference to Ct 57.1/01-02 it was reported that the Watt Club Council had agreed to provide up to £4,000 from their reserve towards the University's 10% contribution to the purchase of the portrait. The Court recorded its gratitude for this very generous offer.

73. APPEAL AGAINST DECISION OF THE SENATE

With reference to Ct45/01-02 it was reported that the Moderator had examined the circumstances surrounding the appeal, and had determined that no prima facie case had been established. He had therefore rejected the appeal and had informed the student accordingly in terms of paragraph 6.5.2 of Regulation 36 governing appeals.

74. Communication from Chairman of Court

74.1 EDINBURGH COLLEGE OF ART

The Chairman reported that a memorandum of agreement for joint approval by the College and the University, in relation to future accreditation by the University of the College's courses, was being developed. A first draft would be submitted to the Governors of the College shortly and the final version would come before the Court at its meeting in May 2002.

75. Communications from the Principal and the Planning and Management Executive

75.1 QAA SUBJECT REVIEW OF ENGINEERING AND COMPUTING

The third and final visit of the Review Team for the QAA Subject Review in Engineering and Computing had taken place on 13 February. The University had received the Review Summary, in which the main judgements were as follows:

- *Confidence* in the academic standards achieved in the undergraduate and postgraduate programmes.
- Quality of learning opportunities in teaching and learning: *commendable*
- Quality of learning opportunities in student progression: *commendable*
- Quality of learning opportunities in learning resources: *commendable*

These were the highest judgements in each category (the University might yet receive some "exemplaries" within these categories). The full report would be available by mid April.

Disposal: Noted

The Principal expressed congratulations to all involved in this review on the successful outcome, and particularly to Professor J E L Simmons, as Dean. It was noted that the success of the review did not automatically generate additional student numbers.

75.2 UNDERGRADUATE STUDENT RECRUITMENT

There was positive news on undergraduate student applications for October 2002 entry:

- On the pattern of previous years, applications received through UCAS by the February census date represented around 90% of final numbers
- These showed an overall increase of 4.7% on the previous year
- Applications to Science subjects had increased by 9% overall, and to Chemistry by 44.8%
- Applications to Engineering had risen by 2.3%

- Applications to Management and Languages had also risen by 2.3%, with Languages up by 19%.
- Applications to Textiles had increased by 3.8%.

In many cases, the increases to Science and Engineering were against an unfavourable national trend. This situation clearly reflected well on the combined efforts by Schools and Student Recruitment. However the market remained very competitive and the University could not afford to become complacent.

Disposal: Noted

The effect of the SCHOLAR programme had yet to become evident, but should prove both positive and influential. It was also noted that postgraduate recruitment was healthy

75.3 GOVERNMENT RESEARCH FUNDING

The Scottish Executive had recently announced an additional £25M of funding until 2004 to support research in the sector following the results of RAE 2001. This included an annual increase of £10M per annum to the SHEFC research budget and a one-off payment of £5M to improve research facilities. The package was proportionately higher than additional funds recently announced for England and Wales. However, the University still awaited the SHEFC funding announcement on 20 March to see how it would be affected individually.

Disposal: Noted

[Details of the Funding Council's Grant Assessment were circulated to the Court immediately on receipt]

75.4 SCOTTISH EXECUTIVE: REVIEW OF HIGHER EDUCATION

The first stage of the Review of Higher Education led by the Scottish Executive Enterprise, Transport & Lifelong Learning Department, had focused on the Scottish Higher Education Funding Council. It had also sought the sector's views on the broader themes that might be explored further in the second stage of the consultation due in April.

Disposal: Noted

75.5 AGILENT SCHOLAR SCHOLARSHIPS

The University had been pleased recently to announce 10 new awards for students sponsored by Agilent Technologies. The Agilent Scholarships, valued at around £2000 each, were aimed principally at entrants to undergraduate courses in Electrical Engineering and Computer Science. A key qualification was that applicants should have participated in the SCHOLAR programme before applying to Heriot-Watt. The University was one of four universities in Europe that Agilent had selected for its support programme.

Disposal: Noted with gratitude to Agilent.

It was further noted with gratitude that Agilent had additionally provided direct support for the Scholar programme to the value of £17K.

75.6 ROYAL ACADEMY OF ENGINEERING: POST-DOCTORAL RESEARCH FELLOW

The University had been delighted by the success of Dr Mark Bustard in the Department of Mechanical & Chemical Engineering in beating fierce competition to win one of 5 Royal Academy of Engineering Post-doctoral Research Fellowships awarded nationally in the current year.

The fellowship provided funding support for 5 years and would allow Dr Bustard to pursue research in the area of Bio-electric systems.

Disposal: Noted

75.7 CENTRE FOR PETROLEUM ENGINEERING AT TOMSK

The Department of Petroleum Engineering had won an international competition to provide a petroleum engineering programme at a new Centre for Petroleum Engineering at Tomsk Polytechnic University in Siberia. The Centre had been established by YUKOS, the second largest oil company in Russia, and its aim was to provide specialised postgraduate engineers and scientists with broad-based skills in petroleum engineering.

The Distance Learning course offered by the Department of Petroleum Engineering provided the teaching base of the new Centre, operational since October 2001, with over 40 Russian students currently enrolled on the course.

Disposal: Noted

75.8 RESEARCH UPDATE: NEW TEXTILES CONSORTIUM

A new consortium led by Professor George Stylios and designed as a European platform for textile innovation was being developed at the School of Textiles. Innotex – a French-based incubator of innovative textiles research projects, and Cellabor – a technical company supplying services to the textile industry in Belgium, had teamed with the University. The new consortium, Inneurotex, would network European expertise, create new products through technology transfer, and support textiles SMEs.

Disposal: Noted

It was reported by Professor D G Owen, Head of the School of Textiles, that the South of Scotland Higher Education Group was examining the further and higher education provision in the area and was seeking means of bridging the gap between existing and desirable levels of funding.

76. Communications from the Senate

[The following items, arising from an inquorate meeting of the Senate were reported to the Court for information, and would be the subject of formal recommendations by the Senate after homologation at a future meeting of the Senate.]

76.1 THE RESTRUCTURED UNIVERSITY – MAIN ACADEMIC COMMITTEES AND BOARDS

The Senate had considered a discussion paper “The Restructured University: Main Committees and Boards”, which had been produced by the Vice-Principal, in consultation with the Deans and members of the Planning and Management Executive. The proposals, which were supported by the Principal and Deans Committee, related to the academic structure in the reorganised University.

The Senate had noted that, under the proposals detailed in the discussion paper regarding the function of the Undergraduate Studies Committee and the Postgraduate Studies Committee, most of the scrutiny process would be located within the appropriate committee of each School/PGI, with representatives from Registry to assist in compliance with agreed frameworks and regulations. The Undergraduate Studies Committee and the Postgraduate Studies Committee would provide externality to the Schools-based scrutiny process and would consider course proposals submitted by Schools/PGIs, with a view to making recommendations for formal approval to the Senate. Such scrutiny at the institutional level would be expected to be mainly routine. The Senate had noted that this proposal had been supported by the Boards of the Faculties of Science and of Engineering. The Board of the Faculty of Economic and Social Studies, whilst not unsupportive of this approach, had expressed concerns about duplication of effort and overlapping responsibilities in relation to programme scrutiny and approval.

The Senate had supported the proposal relating to the Undergraduate Studies Committee and the Postgraduate Studies Committee which would provide externality to the Schools-based scrutiny process and would consider course proposals submitted by Schools/PGIs, with a view to making recommendations for formal approval to the Senate. In addition, the Senate had made the following observations:

- It was important that the proposed structure should be able to respond quickly and recognise the rôle of the Senate and the Planning and Management Executive

- The Undergraduate Studies Committee and the Postgraduate Studies Committee should have delegated powers to act on behalf of the Senate, and would have the appropriate externality.

The Senate had considered the future rôle of the Deans and the Faculties. It had been agreed that it would be desirable to retain elected Deans with a reduction in the number from three to two based at the Edinburgh Campus, noting that the Edinburgh College of Art Faculties would disappear after 31 July 2002. The new-style Deans would be appointed by the Senate on the basis of an election involving all of the academic community, and in this sense the University would become one-constituency. It was agreed further that one of the Deans should have a background in engineering or science and the other in humanities or social science and that if the proposal were approved, the current Deans of the Faculties of Science and of Economic and Social Studies should be appointed as the two Deans under the proposed structure, for an initial period to be determined. The Senate had agreed further that a recommendation would be made to the Court in due course for the disestablishment of the Faculties and the Deans of Faculties from 31 July 2002. The new-style Deans would be Deans of the University without responsibility for Faculties.

The Senate had agreed to report to the Court that it supported recommendations made above and the proposal detailed in Appendix A to agenda paper B, for introduction on 1 August 2002.

Disposal: Noted and approved subject to confirmation by Senate.

It was noted that these issues had received very extensive discussion prior to coming to the Senate, and the Principal expressed his appreciation of the rôle and contribution of the Deans to this process.

76.2 PROPOSED REVISED ORDINANCE 23

The Senate had noted that the Principal and Deans Committee, noting that Ordinance 37 did not allow provision for the University to confer the title honorary senior lecturer when it would have been appropriate recently to have been able to do so, had invited the Ordinances and Regulations Committee to make provision for the conferment of the title.

The Ordinances and Regulations Committee had agreed to recommend to the Senate that the revised draft Ordinance 23 detailed in Appendix B to agenda paper B, which made provision for the title honorary senior lecturer, be recommended to the Court for approval.

The Senate had agreed to recommend to the Court, that the proposed revised Ordinance 23, detailed in Appendix B to agenda paper B, be approved.

Disposal: Noted and approved subject to confirmation by Senate.

77. Finance Committee – Report

77.1 FOOTBALL ACADEMY

- Noted that planning permission had been granted, subject to a Section 75 agreement, which the University should be able to fulfil by retaining control of any commercial element of the operation of the sports facilities.
- Noted that there was still no contractual agreement between the University and Heart of Midlothian.
- Agreed to pursue this rigorously.
- Noted that Sport Scotland had confirmed that the funding of £1.3m to be provided by them through Heart of Midlothian would not be available in relation to any project other than that between the club and the University.
- Noted a statement of the strategy underlying the development of sports science and sports medicine courses, in relation to student numbers.
- Noted that, in order to compete with courses in this area at other Universities, excellent facilities would be required, and the opportunity to undertake the joint venture with Hearts had arisen at an opportune time.
- Noted the issues relating to revenue costs of running the Sports Centre and Academy considered in consultation with the University's external auditors.
- Noted the issue of long-term development of the southern area of the campus, in the context of discussions with the City of Edinburgh District Council.

- Noted that expenditure on infrastructure provision for the southern campus had been agreed as investment for future development.
- Concluded that the decisions in relation to each aspect of the various projects had been made on a sound basis.
- Agreed to request, from the Finance Office, for clarity of the record, a tabular presentation of the interrelationship between the financial implications of the new courses, of the capital and revenue costs of the Football Academy, and of the south campus infrastructure. [Appended to agenda paper C]

Disposal: Noted

77.2 UNIVERSITY RESTRUCTURING

- Noted an oral report by Mr Kay setting out progress since the meeting of the Court on 4 February 2002, and outlining further intended measures.
- Noted the view of Mr Kay and the Interim Director of Personnel that the targets were achievable with further focused effort.
- Noted that final details of the agreements with staff accepted for severance were being finalised, and arrangements for meetings with staff in targeted areas were in hand.
- Noted that the pattern of activity in textiles was being reviewed with the aim of protecting research and providing a platform for growth in the design area.
- Noted that the early progress towards meeting staff cost savings would be reflected in the pattern of spend on restructuring in the current year, but would bring earlier advantages in terms of recurrent commitments.
- Noted that these consequences - a bigger than forecast deficit in 2001-2 but correspondingly lower expenditure in 2002-3 - should be clearly explained in reports to SHEFC.

Disposal: Noted

It was further noted that the second quarterly report covering the period to 31 January 2002 had been submitted to SHEFC.

77.3 MANAGEMENT ACCOUNTS TO 31 JANUARY 2002

- Noted management accounts to 31 December 2001 and year-end forecasts.
- Received oral update and commentary on tabled accounts for the period to 31 January 2002
- Noted that the trends established in the period to 31 December 2001 were continued.

Disposal: Noted

77.4 BUDGET PROCESS

- Noted that the process for setting the budgets for 2002-2003 was being set in train with immediate effect under the supervision of Professor A C Walker and to a tightly defined timescale. The process would incorporate the various measures introduced in the past year to ensure control of budgets.

Disposal: Noted

77.5 EXTERNAL AUDITOR'S REPORTS – MANAGEMENT LETTER

- Noted the executive summary of the management letter accompanying the external auditors report for the year-end 31 July 2001.
- Noted that the issues raised had been drawn to the attention of the Court by the Audit Committee.
- Noted current and proposed action in relation to the following:
 - 1) Budgetary control and accountability of EBS by the restructured Board of Management.
 - 2) Review of structure of Catering, Residences and Conference operations, and policy for setting intra-group prices and recharges, by PME.
 - 3) Prior review and approval by PME of commercial undertakings, and establishment of clear responsibility for these and existing ventures, other than core activities acknowledged to be loss making.
 - 4) Debt collection procedures.
 - 5) Risk analysis and formal contractual underpinning of expenditure commitments.

- 6) Review of taxation issues relating to trading activities, to protect and maintain charitable status.

Disposal: Noted

77.6 SAVINGS IN NON STAFF EXPENDITURE

- Noted, in relation to the approval by the Court of the recommendations of the PME on continuance of the voluntary severance scheme (Ct 62/01-02), that a working group had been set-up convened by Professor A C Walker to achieve substantial savings. The group would receive input in relation to seven major areas from sub-groups including utility costs.

Disposal: Noted

77.7 COVENANTS WITH CLYDESDALE BANK

With reference to Ct 43.1.2/01-02 it was reported that agreement had been reached with the Clydesdale Bank on the variation of covenants forming part of the terms of lending between the Bank and the University, and that this variation constituted an additional safeguard for the University. It was agreed that the Chairman of the Finance Committee or Mr Gemmell be authorised to sign the relevant documentation on behalf of the Court.

77.8 DIRECTOR OF FINANCE

It was reported that the recruitment process designed to identify a Director of Finance for the University, to be appointed on a permanent basis, would be set in train within the next week.

78. Nominating Committee – Report

78.1 MEMBERSHIP OF AUDIT COMMITTEE

The Committee had noted the withdrawal from the membership of the Audit Committee, after 6 years of service, of Mr R G McKie, a member co-opted from outwith the membership of the Court.

The Committee recommended the appointment to the Committee, with immediate effect of:

John C Chambers BSc DMS AIB
Production Operations Director 1996-
Scottish Courage Brewery

Disposal: Approved

79. University Restructuring

79.1 REPORT FROM PROJECT MANAGER

The Court received and noted, as agenda paper G₁, a report by the Restructuring Project Manager, Mr Kay, which set out progress to date in relation to the voluntary severance scheme, the cost savings exercise, and structural developments within Schools and in Catering and Residences. It was noted that there was still some way to go in achieving the numbers of voluntary leavers required to meet the figures which Court had agreed and which had been provided to SHEFC and the bank. It was noted that a decision on compulsory redundancies which might be required would have to be taken at the May 2002 meeting, in order to achieve an unequivocal basis for the termination of the severance scheme and a solid foundation for future development.

79.2 COST SAVINGS WORKING PARTY

The Court received and noted, as agenda paper G₂, the first report of the working party.

79.3 APPRECIATION

The Court resolved to place on record its appreciation of the prodigious amount of effort devoted to the Restructuring Project by the Principal, Secretary, Interim Directors of Finance and Personnel, Assistant Principal Walker and Mr Kay.

80. ACCOUNTING AND AUDIT STANDARDS

The Court was aware of the recent irregularities giving rise to the failure of the US energy company ENRON.

It was recognised that the issue of relationships between organisations and accounting firms who provided the auditing function was a matter of particular importance to the Boards of commercial enterprises, whose main requirement was clear reporting and transparency of procedures.

In response to a question it was reported that the University's external auditors undertook a very limited amount of advisory work on behalf of the University in their area of specific expertise, but that this was not considered material to their duty of independent scrutiny of the University's accounts.

81. DATE OF JUNE MEETING

The Court agreed, at the request of the Chairman, to schedule its meeting in June 2002 for Tuesday, 25 June.

Court

Minutes

In the Chair: Professor E Brown

Date of Meeting: 13 May 2002

Present also: Principal J S Archer
Mr G Bissett
Mr D A Brew
Mr D A M Brown
Mrs S G Charlesworth
Mr H Collis
Mr J Dignan
Mr G J N Gemmell
Dr C G Greig
Mr D H Guest
Professor P W Jowitt

Mr S G Kay
Ms J Lowe
Ms G A McDonald
Mr J D Polson
Mr C P Robinson
Professor J E L Simmons
Dr R Summers
Professor J A Swaffield
Mr A B Taylor
Professor A C Todd
Professor C Viney

In attendance: Professor D R Hall, Assistant Principal
Professor R R Leitch, Assistant Principal
Professor D G Owen, Assistant Principal
Professor A C Walker, Assistant Principal
Professor B S Wherrett, Dean, Science
Mr P L Wilson, Secretary of the University
Mr D M Nicolson, Interim Director of Finance
Mr P Kerr, Director of Estate and Building Services
Mr W R McGookin, Director of Planning Office
Mr K Ross, Interim Director of Personnel
Mrs M Thornton, Director of Corporate Communications
Ms L Kirkwood-Smith, Planning Office
Mr A G Hood, Assistant Registrar

Mr P Gregory, Director of Planning & Development, Scottish Borders Council

82. APOLOGIES

Apologies for absence were intimated from The Rt Hon The Lord Mackay of Clashfern, Mr Drury, Sir Peter Heatly, Mr Jobson, The Hon Lord Johnston, Mr Morrison, The Hon Lord Penrose, Mr Rudd, Ms Savage, Councillor Scobbie and Dr Zachary.

83. STRATEGIC PLAN

The Court had received, as agenda paper A for the meeting, discussion notes setting out issues to be taken into account in developing the University's strategy in several areas. These were:

- New features in the broader strategic environment
- Research and knowledge transfer
- Learning and teaching, including revision of the academic framework and assessment systems, development of open learning and external study programmes
- Promotion of equal opportunities and the widening of participation
- Human resources policies and procedures
- Internal organisational issues, particularly restructuring, IS/IT and capital developments
- Continuity in financial planning and budgeting.

In the course of introductory remarks prior to a presentation of the Principal and Assistant Principals Hall and Leitch, the Chairman conceded that despite the de facto guidance offered by SHEFC and the Garrick and Dearing reports and the influence of market forces, the setting of strategy remained beset by uncertainties. There were due in no small measure to the reviews currently in progress, including:

- Inquiry into Lifelong Learning (Scottish Parliamentary Committee)
- Report on Research and Knowledge Transfer (SHEFC/Scottish Enterprise)

- Review of Higher Education (Scottish Executive)
- Strategic Development of HE and CPD in the South of Scotland (Co-ordinating Group 2002-2003)
- Collaboration and rationalisation in HE in Scotland (particularly Edinburgh)

Because of the blurring of boundaries a clear measure of differentiation would be increasingly important for the University. As governmental views evolved and definitions changed, the issues thrown up would influence priorities and directions for all institutions. In order to maintain its place in the clearly successful sector of the education system, however, the University must build on its strengths and capabilities, responding both to the Scottish agenda and to the broader themes of government policy, by being alert to the rules, but being sufficiently streetwise to derive the best advantage from their exploitation. This also imposed the requirement to grow the University's income year on year, both that arising from research and teaching and that from commercial sources.

The Principal expanded on the topics set out in the paper, giving the Court additional insight into the areas of continuity in policy and strategy and set against the proliferation of external initiatives confronting the University. The Court was reminded of the profile of the University in terms of turnover, staffing and focus, and of the major changes currently being made in management and academic restructuring. The Principal specifically welcomed the connections and increased understanding between the management process and the schools which were afforded by the Planning and Management Executive. In relation to the restructuring process (cf Minute 92.4 below) the Principal paid tribute and expressed thanks to all categories of staff who had made possible the progress achieved so far.

In his remarks on the strategic environment influencing the broad strands of University policy the Principal highlighted the new condition of grant to be imposed by SHEFC, and requiring positive action from all funded institutions in respect of certain of the areas set out in the paper, namely

- Research and knowledge transfer
- Continuous improvement of teaching and learning
- Equality of opportunity and widening participation
- Human Resources policies and management

Professor Hall and Professor Leitch made presentations covering the first three of these topics.

Professor Hall emphasised, in his observations, the continuing challenge posed by competition in research excellence across the sector, and the need, as an absolute minimum for the University to double its number of units graded at 5/5*. A general strategy to this end would continue to be developed by the articulation of Research with the University's Strategic Planning Cycle, with contributory policies being developed and delivered through the Research Co-ordination Board. Crucial to this would be the recruitment, development and retention of high quality academic and research staff, (required to achieve the necessary standard of c/a 55% of academics contributing to 5 or 5* research), combined with the formation of centres of research excellence, a structured process for the delivery of increased research income, and increased numbers of externally funded postgraduate students and researchers.

In respect of Knowledge Transfer, hitherto subject to a variety of underfunded and discrete arrangements, the University welcomed the proposal in the Scottish Enterprise/SHEFC Report of April 2002 on Research and Knowledge Transfer for new 'third stream' funding for knowledge transfer activities by HEI's in support of Scottish economic development. There would however require to be an adequate level of funding on a long term planning horizon, and governed by appropriate metrics to ensure effective monitoring.

Professor Leitch reminded the Court of the key components in the University's Teaching and Learning Strategy, namely

- development of the Academic Framework on the criteria of reference, flexibility, academic cohesion, and transparency
- development of Open Learning based on student-centred interactive e-learning materials
- development of External Programmes, exploiting distributed learning partnerships

and outlined the considerable progress made, and the next stages envisaged, in each area, particularly the significant portfolio of external programmes spanning 10 countries and including 25 approved study centres; the projected cumulative profit for 2002/3 from the Strategic Open Learning Development programme; and the prospects for establishing an e-learning institute with funding support from Scottish Enterprise.

Professor Leitch also referred to the University's existing commitment to promoting wider access, underpinned by services to support students once enrolled.

The Court noted the priority areas for the Human Resources Strategy proposed in the paper presented by the Principal, relating the requirements of the Funding Council condition of grant to the University's particular circumstances and founding the strategy on

- Recruitment and retention of appropriate staff
- Performance management, including staff development and appraisal
- The determination of pay and rewards
- Staff learning and development
- Partnership working with staff input to definition of HR priorities
- Workforce planning
- Equity and fairness

The Principal also highlighted those aspects of the Estate master plan which would have the most direct relation to the developments envisaged in the Strategic Plan. These were: the progressive evolution of the Sports Village development; building and equipment projects funded by SRIF; and Research Park investment in partnership with SEEL.

In the course of discussion, the following were among the issues raised:

- Whereas the present discussion related to the aims of the University's strategy, it was recognised that work remained to be done on the systems and processes to be deployed in achieving these aims. The measures, times and targets to be used would be specified within the planning process.
- The University's research objectives were accepted as being appropriate. Teaching funding however was recognised as being subject to the vagaries of market popularity and the influence of government policy. This was being addressed by the introduction of new subject areas, the development of partnerships to promote social inclusion, and the outreach provided by the SCHOLAR programme.
- One major aim was to be able to respond to a future scenario where undergraduate numbers were no longer capped. The ability to attract increased numbers of part time students would form the basis for this capacity, despite the lack of growth, within Scotland, in applications for Science and Engineering based courses.
- The University was already reviewing its courses to make them more relevant to the needs of students and thereby more attractive. This was evident in the consultation in the planning round with schools on their academic portfolios, which were tied back into the strategic framework. The University had received increased numbers of applications for 2002, but remained acutely aware that against a backdrop of a falling population of full-time students, additional income streams from flexible, part-time course options would be important.
- In response to a question on the structure for Knowledge Transfer and interaction with knowledge-based industry, and how this might best be exploited for funding purposes, it was noted that the proportion of revenue concerned was likely to remain modest, at around 1½% but that the University would be ever more closely linked to the users of research in the commercial community. These links and rolling collaborative ventures could be of greater long term benefit than appeared from the simple revenue figures. The important aspect would be to establish the processes.
- It was recognised that it was difficult to link the University's strategy to an incomplete national picture which did not offer any guarantee of funding support. The University sector and Heriot-Watt in particular, was engaged in efforts to influence and shape the context, and then to be able to take advantage of opportunities arising, such as the express wish of the Scottish Executive to promote Knowledge Transfer. Whereas it was impractical to found the University's strategy on imponderables, it was advantageous to recruit high quality staff to areas of intrinsically worthwhile research, in the expectation that benefit would also flow from transfer of the resulting knowledge.
- The University should seek to enrol the widest possible range of high quality partners and start-up collaborators to aid its exploitation of Intellectual Property, and should espouse the same global perspectives as these organisations habitually adopted.

- It was suggested that the University should seek to use the existing facilities of its physical estate to better advantage for commercial gain, and the Court noted that continual efforts were being made, in dialogue with the relevant local authorities, to obtain relaxations in planning and other restrictions to permit such possibilities. This was to be seen in the progress of partnership agreements relating to the Research Park, which was not subject to the limitations relating to use for educational purposes imposed by the deed of gift governing the original campus.
- It was suggested that the University should seek to ensure that developments on the Campus, and particularly the Research Park with its commercial links, were showcases of good practice in energy and facilities management.
- The Court was reminded of the University's underlying purpose of developing the potential of all its members, staff and students, and of its duty to marry the interpersonal fundamentals of its mission to the utilitarian structures adopted to promote efficient operation.
- If the University was to avoid the possibility that the considerable effort being devoted to the promotion of research could be fruitless, it would be important to identify appropriate areas, make wise choices in recruitment, lever in external money, and exploit the rules set by the major funding agencies. It was however noteworthy that whereas the University had been successful in the RAE having scored on both quality and volume, the specific allocation of monies had been divulged only at the end of the process.
- It was recognised that in the event of an area of activity falling out of favour with funding bodies and representing a liability or threat to the University, it would be difficult to effect change without supporting resources. There was therefore to some extent an onus on staff to identify the resources to permit them to pursue their chosen area of research.
- In response to a question on future reliance on Council funding it was confirmed that the University would continue to seek to maximise receipts from this source, albeit subject to alignment with the University's strengths.
- In the preparation of the strategic plan update for submission to SHEFC, an evolving planning framework and indication of direction would be brought to bear on the externally imposed elements of the University's intended course of action.
- Members of Court would welcome a summary of the putative sources of finance for the initiatives discussed.

The rolling Strategy Plan and budgets to be presented to the Court in June would take account of the matters discussed

84. MINUTES

The Minutes of the meeting of the Court held on 18 March 2002 were approved.

85. HEALTH CENTRE

With reference to Ct 66/01-02, it was reported that the matter of rent for the Health Centre had been satisfactorily resolved and the documentation was in the course of being finalised with the Health Service. The arrears of rent would be collected as soon as possible.

86. UTILITY COSTS

With reference to Ct 68/01-02, the Director of Estate and Building Services reported on usage and costs of utilities as follows:

Gas	-	to end March 2002 usage 2% less, costs up £173K
Electricity	-	to end April 2002 usage 3% more, costs up £25.8K

It was noted that these figures did not reflect the influence of the recently introduced limitation on the hours during which buildings were heated. The rise in cost of £199K represented a 23% overall increase.

87. FOOTBALL ACADEMY

With reference to Ct 69/01-02 the Secretary of the University reported that bankers for Heart of Midlothian had provided a guarantee for £3.3m in funding, subject to the completion of the Building Contract. The Construction and Facilities Agreement would be ready for signature shortly and would be subject to the Building Contract being agreed.

The Project Cost Plan, allowing for all known possible changes, remained below £6m with provision in excess of 4% for contingencies. This figure included the sinking of a borehole which should save the

University in excess of £6,000 per annum in water charges.

Disposal: The Court noted the position and gave approval for the Project Group to go to the stage of completing the Building Contract. The Vacation Committee would give final approval for the project to commence.

88. DIRECTORSHIPS OF FINANCE AND OF HUMAN RESOURCES

With reference to Ct 77.8 it was reported that the process of recruiting to both the above posts was well under way, with interviews scheduled for late June on the basis of short lists to be drawn up by 5 June.

89. Communications from Chairman of Court

89.1 SHEFC MONITORING OF UNIVERSITY GOVERNANCE

The Chairman reported that SHEFC's Financial Appraisal and Monitoring Service would shortly carry out a review of the University's control arrangements, financial and otherwise. The review would include interviews with the Chairman of Court, and the chairmen of the Finance and Audit Committees.

Such visitations occurred infrequently (the last occasion had been in the early nineties, although the intention for the future was to have a maximum five year interval) and would give the opportunity to set out the proposed control environment for the new Schools.

89.2 STUDENT COMPLAINTS

With reference to Ct 51/01-02 the Chairman reported that there was still no unanimity of view among the Scottish Universities on this matter, as the four ancient Universities, whose constitutions made provision for Rectors, wished to reserve their position on the matter of external scrutiny.

89.3 QUEEN MARGARET UNIVERSITY COLLEGE

The Chairman alluded to recent reports of the gift to QMUC of land and infrastructure works in East Lothian, which made the prospect of collaboration and sharing of resources between the University and QMUC, (recently raised in an exploratory manner between the two institutions), a more remote possibility

90. Communications from the Principal and the Planning and Management Executive

90.1 GENERAL ISSUES

The Court received and noted, as agenda Paper B₁ for the meeting, a copy of the paper presented by the Principal to the most recent meeting of the Senate, and containing information on the following topics treated under item 83 above:

- SHEFC Main Grants Announcement 2002-3
- SHEFC/Scottish Enterprise Task Group – report on Research and Knowledge Transfer in Scotland
- Scottish Parliament: Review of Higher Education (detailed in Annex to agenda Paper A)
- Scottish Parliament Enterprise and Lifelong Learning Committee: Enquiry into Lifelong Learning
- Strategy Review

90.2 EUROPEAN REGION OF EXCELLENCE FOR INNOVATION

The Principal indicated that the European Commission had awarded to the Edinburgh area designation as a European region of excellence for innovation, as a result of an initiative from the University and in partnership with SEEL (of which he was currently Chairman) and ECCE. Previously designated areas included Copenhagen, Hamburg and Veneto, and in the UK the research complexes centred on Oxford and Cambridge. The potential benefit for the University lay in increased scope, in an environment expressly favouring research and development, for the leveraging in of collaborative funds.

90.3 WATT CLUB OF LONDON – MEETING

The Principal reported that he would have the pleasure, on Tuesday, 14 May, of addressing a meeting of the Watt Club in London.

90.4 RESTRUCTURING – POINTS FROM STUDENTS ASSOCIATION

The Court received and noted, as agenda Paper B₂, information on the issues raised by the Students Association in the course of a discussion of restructuring by PME. It was noted that the Association still had certain concerns, relating to the form of support and guidance arrangements to be maintained in the new structures, and that these would be raised in a further submission by the Association, who welcomed the dialogue which had been established.

90.5 STUDENT RENTAL CHARGES 2002-2003

The small group, consisting of Sir Peter Heatly, the Secretary of the University and a senior management accountant, set up by the Court to consider the level of student rental charges for on-campus halls of residence, had proposed a 4% increase for 2002-03.

The proposed charges had been considered and approved by PME. It was noted that the increase was in excess of inflation, but had been brought about by a very high increase in the cost of utilities, including the withdrawal of an exemption from certain charges for the use of water in halls of residence.

The concern of the President of the Students Association at the level of proposed increase was recorded in the communication relating to this matter.

Disposal: The Court approved the recommendation and resultant figures set out in agenda paper B₃ and attachments.

91. Audit Committee - Report

91.1 MEMBERSHIP OF THE COMMITTEE

Ms Y Savage and Mr J Chambers had been appointed to membership of the Committee.

Disposal: Noted

91.2 COSTING AND PRICING OF RESEARCH CONTRACTS

Arising from discussion of the existing arrangements for costing by PME and Heads of Schools designate, a formal policy would be developed and brought to the Committee in due course. Some progress in maximising cost recovery had already been made, and this area was close to the targeted income level in the current year. There was a widespread recognition in the University of the need to grow this area of income. The Committee had noted with pleasure that the University's success in the Research Assessment Exercise would yield funding at the level assumed in the Strategic Plan, and could be read as an endorsement by the Funding Council of the University's strategy.

Disposal: Noted

91.3 DISASTER RECOVERY PLAN

There had been consultation with the emergency services and with the University's insurers, and the documentation prepared would be tested at a training day on 26 April for the relevant staff. There would also be a whole day simulation exercise in June. The Committee would note developments at its next meeting.

Disposal: Noted

91.4 EDINBURGH BUSINESS SCHOOL – FINANCIAL CONTROL

The Committee had noted that the Board of Management of the Business School accepted the need for formal budgeting and monitoring of financial performance, which had been informally dealt with in previous years. It was noted that the Board would in future consist of a Chairman, appointed by the Court, together with 4 representatives appointed by each of the Business School and of the University.

Disposal: Noted

91.5 INTRA-GROUP PRICING POLICY

Mr Kay would undertake a review of this matter, and had held a preliminary meeting to gather an information-base. The topic related principally to relationships between Catering and Residences and the Conference Office, and had been raised in the external auditor's management letter. There had already been a considerable staffing restructuring, and a clear remit and budgeting process would be developed with the benefit of external advice, and taking account of relevant taxation issues.

Disposal: Noted

91.6 NEW VENTURES – AVOIDANCE OF RISK

More formal vetting procedures than hitherto were now in place for new areas of activity which could entail financial risk. As such undertakings were associated with individual departments and would be under the supervision in future of Heads of Schools, the relevant issues should be raised as part of the budgetary process and scrutinised at the stage of budget approval.

Disposal: Noted

91.7 MAINTENANCE OF CHARITABLE STATUS

Advice was awaited from Ernst and Young on the issues to be addressed, and on compliance requirements to be met. This would inform the review to be carried out of activities potentially giving rise to tax liability if not protected by charitable status.

Disposal: Noted

91.8 RESTRUCTURING UPDATE

Professor Walker had reported that good progress had been made towards the level of savings required, by the vigorous application of the voluntary severance scheme and cost cutting measures.

The Committee had discussed the differing bases of the pension schemes operational within the University, and specifically the scheme relating to members of staff formerly employed by the Scottish College of Textiles. This scheme offered less favourable terms for severance than had been envisaged. As part of the requirement for regular actuarial scrutiny of all pension funds, a valuation of the scheme was in hand which would yield information on which a decision on the future treatment of this scheme by the University would be based.

The Committee had also discussed on the likely effect of the new accounting standard FRS 17 on disclosure and accounting for pension schemes. Ernst and Young would produce advice on compliance for the next meeting.

The Committee was aware of the overall financial limits on the University in relation to the severance scheme, and had noted that decisions on the issue of compulsory redundancy would require to be made by the date of the May meeting of the Court.

Disposal: Noted

91.9 MANAGEMENT ACCOUNTS TO FEBRUARY 2002

The Committee had received management accounts for the seven months ending 28 February 2002, and had noted the following:

- A significant reduction in non-pay costs was making a favourable contribution in the area of other operating expenses.
- Measures were in hand to restructure the Catering and Residences area to improve financial control and performance.
- Restructuring spend was influenced by the early incidence of certain costs, balanced by some overall advantage against budget arising from the pattern of staff leaving. There would be a significant saving of restructuring costs in 2002/03 against the original budget

Disposal: Noted

91.10 SHEFC GRANTS 2002-2003

The Committee had noted the levels of grant for teaching and research in 2002-2003 and the percentage change from 2001-2002. The total resources from this source had increased by 7% for Heriot Watt against an average increase of 5.7%. More specifically the main formula research grants had increased by 27.8% against a sector average of 14.4%. These figures also corresponded to the Strategic Plan assumptions.

The Committee was aware that although the University's subject-mix had a strong bias towards governmental priority areas, recruitment was problematic in Science and Engineering and considerable effort had gone into maximising teaching income and to reducing the risk of losing student numbers and associated resources.

Disposal: Noted

91.11 TERMS OF REFERENCE

The Committee had received a comparison, prepared by Deloitte and Touche, of the terms of reference of the Committee with the responsibilities of Audit Committees set out in the SHEFC Code of Audit Practice, together with proposals for amendment, to include the monitoring of risk management. The Committee considered that the terms of reference should include the explicit right of direct access by the Committee to both the internal and external auditor, and that there should be provision for yearly review by the Committee of the performance of the auditors.

These matters would be incorporated in a revised document by Deloitte and Touche.

Disposal: Noted

91.12 INTERNAL AUDIT

Annual Plan

The Committee had received a proposed Annual Plan for the work of internal audit for the year to 31 January 2003, based on a number of factors including:

- Recurrent issues due for review
- Specific matters arising from the work of internal audit in 2001-2002
- The outcomes of the risk management workshop facilitated by Deloitte and Touche and attended by University management

The proposed plan included provision for the updating of the risk management exercise with specific reference to the restructured pattern of University management after August 2002.

In discussion of the proposed plan, the Committee had noted

- the suggestion that members of Court might provide a valuable perspective on the identification of risk
- that there would also be value in a wider consultation of the University community at a later stage of the risk management process
- that the restructuring would be subject to the scrutiny of internal audit, in terms both of implementation process and effectiveness in meeting its stated objectives
- the importance of the Audit Process being part of the process of change, and the need to maintain the levels of financial control during the interim period

- the need to monitor and pursue outstanding debt, and for regular reporting on this topic. Deloitte and Touche would survey other Universities' practice in this regard.
- the desirability of reviewing the performance of defined subject areas, which should be incorporated in the system as a regular element in future.
- the supportive and advisory aspect to the role of internal audit
- the attention to be devoted in the plan to management and value for money reviews of Utility Costs, Estates Management including space utilisation, and Schools Administration
- the importance of the role assigned to financial controllers within Schools, and the need to develop as far as possible standard remit/job descriptions, defined levels of authority, and acknowledged input to the School/Management process.
- the need for a forum in which controllers might consult on matters of shared interest to promote a common standard of financial management across all schools and Institutes.

The Committee had approved the plan, subject to these observations.

EBS Limited

Deloitte and Touche had prepared a paper setting out the documentation of agreements entered into by the University, EBS and the Director, Professor Lumsden. It was, however, believed that other relevant documentation was held by EBS, and the Interim Director of Finance was seeking clarification of this with a view to confirming the basis for the assessment of financial obligations to be fulfilled in the next few years.

Enhanced Follow-up: Procurement and DPA

The Committee had received a report summarising the findings of follow-up work by internal audit on reports issued during the year ended 31 January 2002 on:

- i) Procurement and POP Post Implementation Review and
- ii) Data Protection Act

The Committee had discussed measures to ensure the consistent application of Purchase Order Processing, noting that there were still widespread deficiencies in departmental practice, despite detailed guidance from the Finance Office. It was noted that responsibility for compliance would fall to finance controllers within Schools.

The Committee agreed the following:

- To review the evidence giving rise to the statistics contained in the report
- To ensure that Departments were made clearly aware of the shortcomings in their procedures
- To emphasise the requirement for standard application of POP
- To recognise the need for flexibility and economy in obtaining goods and services by maintaining a register of acceptable relaxations within the clear policy framework
- To impose strict procedural control on the highest-value transactions with immediate effect in order to instil an ethos of good practice
- To adopt the proposal by staff for a forum allowing the sharing of knowledge and ideas relating to POP procedures
- To endorse the removal of obsolete systems formerly used in connection with procurement.

The Committee had noted the action taken in respect of recommendations on compliance with the Data Protection Act, as set out in the second section of the report. It was noted that several issues remained unaddressed. Compliance would become one of the responsibilities of the Schools.

Disposal: Noted

91.13 REVIEW OF AUDIT APPOINTMENTS

The Committee had noted that part of the remuneration of Ernst & Young for their services as external auditors was performance-related. This was not considered appropriate, and the basis of remuneration would be reviewed.

The Committee took the view that a system of annual review and feedback on performance would be desirable in the case of both internal and external audit.

Disposal: Noted

92. Finance Committee – Report

92.1 FOOTBALL ACADEMY

- Noted that the information on the financing of the Sports Science and Sports Medicine courses and their relationship with the football academy had been provided to and noted by the Court (Ct77.1/01-02 refers).
- Noted that Sport Scotland had requested guarantees relating to their contribution to the project which were as yet unacceptable to Heart of Midlothian and the Bank of Scotland, and this issue was presently with these three parties.
- Noted that the position of the Court was unchanged, in requiring the financing from outwith the University to be adequately guaranteed, and that no risk of additional expenditure should attach to the University.
- Noted that time was of the essence in reaching agreement, due to the requirements of the potential contractor and other deadlines.
- Discussed alternative options, including cancellation or seeking a different partner, noting the attendant delays and cost implications.
- Agreed that the Secretary of the University seek an urgent meeting with the Scottish Minister for Sport and his principal civil service counterpart.

Disposal: Noted

92.2 GEARING

- Noted a tabled paper setting out information on the proportion of long term borrowings undertaken by eight Scottish universities in relation to their general reserves
- Noted that this information was based on data gathered and published in a consistent fashion by SHEFC across the institutions concerned.
- Noted that the information would be updated for future comparisons by the Finance Office.
- Noted that the trend was generally towards an increased level of long term debt.
- Concluded that the main immediate issue was the ability of the University to maintain the repayments required over the longer term within its management of cash flow.
- Noted that this was satisfactory.

Disposal: Noted

92.3 BUDGETARY CONTROL - EDINBURGH BUSINESS SCHOOL

- Noted that the Board of Management of the School had agreed, with the concurrence of the Director, Professor Lumsden, that the Director would in future be responsible for the development of, and assent to, the annual budget for the School.
- Noted that the Board had considered and approved a budget for the coming year.
- Noted that the Director would continue to discharge managerial responsibility on a full-time basis during periods of absence from the Campus.
- Noted that the Board were engaged in succession planning regarding the Directorship, on a 3-5 year timescale.

Disposal: Noted

92.4 UNIVERSITY RESTRUCTURING

- Noted a tabled report and commentary by Mr Kay and Professor Walker
- Noted that savings were now envisaged to be within £100K of the target of £4.5m over the first two years, and better than target within the third year of the scheme.
- Discussed the pattern of severance accepted by the various categories of staff, and the particular position of the Scottish Borders Campus in relation to costs to the University potentially imposed by the pension scheme in operation.

- Noted the proposal that the voluntary severance scheme be closed at 30 April 2002, and the overall financial consequences be verified, including further testing of the actuarial reliability of assumptions giving rise to the apparent difficulties at SBC.
- Noted that the vacancy management process had made a vital contribution to the outcome to date, and would require to be continued.
- Agreed to endorse the recommendations and conclusions set out by Mr Kay, which would be finalised in consultation with the Staffing Strategy Committee and the PME, and would be conveyed in recommendations to be submitted to the Court on 13 May 2002.
- Noted that a final report, with fully detailed documentary support, would be made to the June meeting of Court, after consideration by the Finance Committee.
- Noted an expression of thanks and appreciation by the Principal of the work and contribution to the process by Mr Kay, Mr Ross, Professor Walker and Mr Wilson, and an acknowledgement of the co-operation and flexibility of all categories of staff.

Disposal: Noted

92.5 COST SAVINGS WORKING GROUP

- Received and noted a paper prepared by Professor Walker indicating progress in identifying potential areas for cost savings in non-pay areas.
- Noted that certain of the possibilities for action would require policy endorsement by PME.
- Noted that some of the savings envisaged could however be incorporated in the budgeting process for 2002-03.
- Noted that the report, amended if appropriate, would be submitted to the Court at its next meeting for information.

Disposal: Noted

92.6 MANAGEMENT ACCOUNTS TO 31 MARCH 2002

- Noted Management Accounts for the eight months to 31 March 2002, including an operational summary (Appendix A to agenda paper D).
- Noted the cumulative deficit to 31 March 2002 as £3,392K, an increase of £728K in the month of March, substantially due to the expenditure of a further £431K on restructuring costs, but £1,141K better than the figure of £4,533k foreseen in the budget for the period.
- Noted areas of favourable performance against budget, including academic fees, staff costs, and other operating expenses. The performance in fees and staff costs were satisfactory and in line with expectation. The major reduction in non-pay costs throughout the University was reflected in the very significant favourable variance against budget.
- Noted that significant further costs for restructuring would fall into the later months of the current financial year.
- Discussed the sustainability of savings in other operating expenses, noting that the 80% allocation of budget to departments had been a successful procedure, and that these matters would be kept under review in planning meetings.

Disposal: Noted

92.7 SECOND QUARTER REPORT TO SHEFC

- Received and noted the quarterly monitoring report to the Funding Council covering the second quarter of the financial year.
- Noted that after some clarification of detail, the report had been accepted by SHEFC.

Disposal: Noted

92.8 MID YEAR FINANCIAL RETURN TO SHEFC

- Received and noted the mid year financial return submitted to SHEFC in April and presenting in consolidated form previously provided information.

Disposal: Noted

93. Ordinances and Regulations Committee - Report

93.1 BYE-LAWS OF THE STUDENTS ASSOCIATION

The Committee had considered amendment to the Bye-Laws of the Students Association which had been approved by the Council.

The proposed amendments were all deletions from the existing Bye-Laws of both the Debating Society and the Community Action Group neither of which had functioned for some time and therefore had been deleted from paragraph 12 of the Bye-Laws which dealt with affiliated corporate bodies. In addition the post of Women's Officer had been abolished, and therefore reference to it had also been deleted.

The Committee had agreed to recommend to the Court that the proposed amendments were not repugnant to the provisions of the Charter, the Statutes, or the Ordinances and Regulations, and should therefore be approved.

A summary of the proposed amendments was detailed in Appendix A to agenda paper E.

Disposal: Approved

94. University Restructuring

94.1 REPORT FROM PROJECT MANAGER

The Court received and noted, as agenda paper F₁, a report by the Restructuring Project Manager, which set out the up to date position in relation to the voluntary severance scheme in terms of staff reductions, the contribution of the Vacancy Management Group, and the associated savings and costs. The Court also received from Professor Walker a complementary summary of the interrelations of costs and savings over the time frame of the restructuring process (Appendix A hereto).

Disposal: The Court agreed, in respect of the recommendations set out in the paper

- that the Voluntary Severance Scheme should, subject to final discussions with a small number of employees noted in the report, be closed, without recourse to compulsory redundancy.
- that the restructuring project, as currently defined, be concluded by 30 June 2002 and a final report submitted to the Court.

94.2 COST SAVINGS WORKING PARTY

The Court received and noted, as agenda Paper F₂, an updated report on the topics considered by the Working Party, with working estimates of potential savings.

95. DATES OF COURT MEETINGS

The Court noted and approved dates of meetings for 2002-2003 as follows

Monday, 23 September 2002
Monday, 4 November 2002
Monday, 16 December 2002

Monday, 10 February 2003
Monday, 24 March 2003
Monday, 26 May 2003
Monday 30 June 2003
Monday, 22 September 2003
Monday, 3 November 2003
Monday, 15 December 2003

Court

Minutes

In the Chair: Professor E Brown

Date of Meeting: 25 June 2002

Present also: The Rt Hon The Lord Mackay of Clashfern

Principal J S Archer
 Mr G Bissett
 Mr D A M Brown
 Mrs S G Charlesworth
 Mr H Collis
 Mr J Dignan
 Mr B Drury
 Mr G J N Gemmell
 Dr C G Greig
 Mr D H Guest
 Mr S G Kay
 Ms J Lowe

Mr A Morrison
 Ms G A McDonald
 The Hon Lord Penrose
 Mr J D Polson
 Mr C P Robinson
 Ms Y Savage
 Councillor A Scobbie
 Professor J E L Simmons
 Professor J A Swaffield
 Professor A C Todd
 Professor C Viney
 Dr S Zachary

In attendance: Professor R R Leitch, Assistant Principal
 Professor A C Walker, Assistant Principal
 Professor B S Wherrett, Dean, Science
 Professor I Mason, Dean, Economic & Social Studies
 Mr P L Wilson, Secretary of the University
 Mr D M Nicolson, Interim Director of Finance
 Mr P Kerr, Director of Estate and Building Services
 Mr W R McGookin, Director of Planning Office
 Mr K Ross, Interim Director of Personnel
 Mrs M Thornton, Director of Corporate Communications
 Mr A G Hood, Assistant Registrar

Mr P Gregory, Director of Planning & Development, Scottish Borders Council

96. WELCOME

The Chairman expressed particular pleasure in welcoming to the meeting the Chancellor of the University.

97. QUEEN'S BIRTHDAY HONOURS

The Court greeted with applause the following award conferred in the Queen's Birthday Honours:

Principal J S Archer – CBE

101. UTILITY COSTS

With reference to Ct 86/01-02, the Director of Estate and Building Services reported on usage and costs of utilities as follows

Gas - to end April 2002 usage 2% less, costs up £195K
Electricity - to end May 2002 usage 2.7% more, costs up £27.6K

The overall rise of £223K represented an increase of 23%. It was also noted that the cost savings working group was targeting a number of areas for potential savings through environmentally positive and sustainable programmes of change in working practices.

102. FOOTBALL ACADEMY

With reference to Ct 87/01-02 and Minute 110.3 below, the Secretary reported that the detail of conditions governing the agreement between the Bank, Heart of Midlothian and Sport Scotland was still under negotiation. All other necessary documentation was in place. This material was extensive and complex and would not be presented in detail to the Court. The Court agreed, in respect of procedure, that authority be given to the Chairman of Court, the Secretary and Mr Derek Brown, Contracts Officer of the University, to sign the necessary agreements subject to the receipt of a written statement from Dundas and Wilson that the content was satisfactory to the University and protected its interests.

103. DIRECTORSHIP OF FINANCE AND OF HUMAN RESOURCES

With reference to Ct 88/01-02 it was reported that appointments to each post would be made shortly.

104. FINANCIAL APPRAISAL AND MONITORING SERVICE

With reference to Ct 89.1/01-02 it was reported that the monitoring service would return to complete certain parts of its commission with specific reference to the University's research activity, and envisaged a continuing 3 year cycle of visitations. The final debriefing report was not yet available, but an oral report had acknowledged recognition by the visiting team of much commendable practice.

105. QUEEN MARGARET COLLEGE

With reference to Ct 89.3/01-02, it was noted that no further moves toward collaboration were in prospect, in that SHEFC had expressed no encouragement towards the investigation of possibilities despite the obvious efficiencies and other benefits which would be achieved. The loss of collaborative research potential, and of opportunities for more efficient use of resources, was viewed by the Court as regrettable.

106. Communications from Chairman of Court

106.1 GOVERNANCE PROPOSALS

106.2 COURT PROFILE

The Court noted that some Higher Education Institutions displayed a substantial degree of openness regarding the composition of their governing bodies, and provided information regarding the background of lay members and details of the functions of the Court. Examples relating to the Universities of Glasgow and Edinburgh were noted.

The Court agreed to a proposal that its membership, including forenames of members, be included on the University website, and that forenames be also included on minutes and other official notices.

The Court also noted a proposal by one member that a list be circulated to Court members by the Secretary containing such contact details as individual members were content to make available to their fellow members. In the course of discussion, a number of views on the merits or otherwise of the proposal were expressed, and the existing procedure, whereby the Secretary acted as an intermediary in transmitting information and material to members, was noted. It was agreed, in the absence of a consensus, to defer this matter for further consideration when the proposer, Mr Brew, could be present to participate in the debate.

107 Communications from the Principal and the Planning and Management Executive

107.1 ACADEMIC AND STRUCTURE REVIEW: SCOTTISH BORDERS CAMPUS

PME had recently agreed to proceed with plans for an Academic and Structure Review of provision at Scottish Borders Campus. The review would be broad-ranging covering present and future provision with regard to: trends in student numbers; resources; areas of growth and decline; research activity and the next RAE; financial performance; interaction between Schools including Riccarton and those on site; and overall provision of Higher Education in the Eastern Borders region.

The Review Committee was expected to make recommendations via an Action Plan for the successful development of the campus for the future by November 2002.

The membership of the Review Committee would include:

- Prof J Simmons (Vice-Principal);
- Prof D G Owen (Assistant Principal, SBC);
- Mr S Kay, Restructuring Project Manager;
- A representative of Court; Mr Paul Gregory
- A representative nominated by Senate, Dr Ursula Böser

There would also be an opportunity to co-opt members as and when necessary and to seek appropriate representations from staff and students.

Disposal: Noted

107.2 ESTABLISHMENT OF THE 'INTERACTIVE UNIVERSITY'

Detailed negotiations were currently underway. (cf also Minute 110.2 below)

Disposal: Noted

107.3 UNIVERSITY ETHICAL REVIEW PROCESS

PME had recently approved the establishment of a University Ethics Committee. The Committee would be a Committee of Court reporting through PME would meet twice per academic session, and be responsible for:

- Providing guidance on the activities to be undertaken by Schools/PG Institutes as part of their ethical review processes and monitoring the function of these
- Providing a route through which any proposals which did not receive unanimous approval within Schools' ethical review processes might be considered
- Maintaining a broad overview of ethical issues and legislative requirements
- Maintaining records of projects approved under Schools' ethical review processes and receiving annual reports
- Receiving reports from the Animals (Scientific Procedures) Committee chaired by the Secretary of the University

All Schools/PG Institutes would be required, through their School Research Committees, to establish ethical review processes and sub-committees to conduct those processes.

Disposal: Approved.

It was also confirmed that, in the event of circumstances' requiring it, there would be no impediment to the Committee's gaining direct access to the Court

107.4 VIRTUAL 3D VIDEO-CONFERENCE SYSTEM

Dr Emanuele Trucco of the Department of Computing & Electrical Engineering would be involved in the IST-project VIRTUE (VIRtual Team User Environment) to be featured in the forthcoming 'Tomorrow's World' Roadshow. from 3 - 27 July 2002. The programme of events, a joint initiative of 'Tomorrow's World', British Gas and the Science Year initiative, would be the UK's largest ever interactive technology roadshow.

The project was led by Heriot-Watt in partnership with the Heinrich-Hertz-Institute, Germany; BT (UK); Sony (UK); Delft University of Technology; and TNO (Human Factors Research Institute), Netherlands.

108 Communications from the Senate

108.1 THE RESTRUCTURED UNIVERSITY – MAIN ACADEMIC COMMITTEES AND BOARDS

With reference to Ct76.1/01-02, the Senate had noted that a decision made at a previous inquorate meeting concerning the proposed main academic committees and boards of the University had now been ratified. The Senate had agreed to advise the Court of its decision, noting that the Court had

Regulations Committee. It was also proposed that the functions of the Welfare Committee, which was presently a joint committee of the Senate and the Court, should be subsumed within the Support Services Board.

The Senate had agreed to recommend to the Court that the proposals relating to the joint committees of the Court and the Senate be approved.

Disposal: Noted and approved

108.2 DISESTABLISHMENT OF FACULTIES AND DEANS

The Senate had agreed to recommend to the Court that in terms of Article 10 of the Charter the following Faculties be disestablished on 31 July 2002. It was noted that if this recommendation were approved there would no longer be Deans of Faculties:

- Art and Design
- Economic and Social Studies
- Engineering
- Environmental Studies
- Science

The Senate had agreed to recommend to the Court that from 1 August 2002 the following Deans of the University be appointed:

- Professor I Mason
- Professor B S Wherrett.

It was noted that the terms and conditions, and period of office of the Deans would be determined in due course.

Disposal: Approved

108.3 PROPOSED REVISED ORDINANCE 23

With reference to Ct76.2/01-02, the Senate confirmed that a decision regarding the introduction of a revised Ordinance 23, now entitled Honorary Professor, Honorary Reader, Honorary Senior Lecturer, and Honorary Research Fellow made at an inquorate meeting of the Senate, should be ratified, and agreed to advise the Court of its decision, noting that the Court had approved the recommendation, subject to confirmation by the Senate.

Disposal: Noted and approved

108.4 CONFERMENT OF TITLE OF PROFESSOR EMERITUS

In terms of Ordinance 18, the Senate had agreed to recommend to the Court that the title of Professor Emeritus be conferred upon the following who would be retiring before the age of sixty-five on the

In terms of Ordinance 32 the Senate had agreed to recommend to the Court that Professor Simmons be appointed as Vice-Principal for a period of 2 years from 1 August 2002.

Disposal: Approved

108.6 VALIDATION AGREEMENT BETWEEN THE UNIVERSITY AND EDINBURGH COLLEGE OF ART

The Senate had considered a proposal from the Working Group for the establishment of a validation agreement between the University and Edinburgh College of Art for introduction from 1 August 2002. The proposal consisted of a modified Ordinance 28: Edinburgh College of Art and a Memorandum of Agreement as detailed in Appendix B to agenda paper C.

The Senate had noted that the new arrangement with the College would be based on the validation of programmes of study by the University. The College would remain an Associated College of the University and would be accredited to offer programmes leading to the award of a University degree. It was noted that the arrangements had been developed in accordance with QAA guidelines.

The Senate had agreed, subject to modification to the membership of the Validation Committee to attain a University majority in the membership, to recommend to the Court that the proposals contained in Appendix B be approved. The proposal had also been submitted to the Academic Council and the Board of Governors of the College for consideration.

Disposal: Approved subject to minor textual correction. The modification to the membership of the Validation Committee had been accepted by the College. It was noted that the Ordinance and the Memorandum paid due attention to measures to ensure quality.

108.7 ACADEMIC PROMOTIONS (SENIOR PROMOTIONS) 2002

On the recommendation of the Academic Promotions Board (Senior Promotions) the Senate had agreed to recommend to the Court that the undernoted promotions to Professor and Reader be approved from 1 August 2002 (the promotions to Senior Lectureships are included for information only):

Name	Department/School	Promotion to
Dr A Neville	Mechanical & Chemical Engineering	Professor
Mr A M Close	Computing & Electrical Engineering	Professorial Fellow
Dr J Barton	Physics	Reader
Dr M Chantler	Computing & Electrical Engineering	Reader
Dr K Prior	Physics	Reader
Dr D T Reid	Physics	Reader
Dr R Szabo	Mathematics	Reader
Ms S Taylor	School of Textiles	Reader
Dr E Trucco	Computing & Electrical Engineering	Reader

- Quality of learning opportunities in teaching and learning: *commendable*
- Quality of learning opportunities in student progression: *commendable*
- Quality of learning opportunities in learning resources: *commendable*

The Senate had noted that these were the highest judgements in each category. The full report had been available from mid April 2002.

Disposal: Noted
 The full report was available at www.qaa.ac.uk/revreps.

108.9 ELECTION OF MEMBERS FROM SENATE TO COURT

In terms of Ordinance 14, following the election of members of the Senate to the Court, the following members of the Senate were duly elected for a period of three years from 1 August 2002:

- Professor B Austin Life Sciences
- Professor J C Eilbeck Mathematics and Computing Sciences.

The following would continue as members of Court:

- Professor P W Jowitt to 31 July 2004
- Professor J A Swaffield to 31 July 2004
- Professor A C Todd to 31 July 2003
- Professor C Viney to 31 July 2003.

Disposal: Noted

109. Audit Committee - Report

109.1 INTERNAL AUDIT – APPOINTMENT

The Committee had considered policy on the process of the appointment to the internal audit function. It was noted that the period of appointment of Deloitte & Touche would expire on 31 December 2002 and that the present period of office was a renewal of the initial appointment. It was reported that D&T had provided a good and well-focussed service over the span of their appointment, and that their growing experience of the institution had lent added value to their contribution in the latter period of their appointment.

The Committee was aware that the Code of Audit Practice stipulated that audit appointments be subject to competitive tendering at stated intervals. After discussion, the Committee agreed to recommend to the Court that the period of appointment of D&T as internal auditors be exceptionally extended by one further year to 31 December 2003, and that the grounds for this recommendation be set out for the benefit of the Court and of the Funding Council as follows;

- The University was in a unique position in the current and immediately following year as it moved

The Committee had agreed to adopt the proposed terms of reference (Appendix A to agenda Paper D) and to recommend to the Court that they be approved.

Disposal: Approved

109.3 STAFF RESTRUCTURING

It was noted that the University appeared to be ahead of its target of £4.5m of recurrent savings over the two coming years. Costs arising from part time re-engagements were inevitable but finite and predictable. There were variations in take up of the severance scheme across the various areas of the University and the pattern of academic activity in the Borders Campus was under review with a report and recommendations expected by November. The policy of not filling posts becoming vacant by natural turnover rather than by severance had also contributed to the progress made. The Committee had noted that the Court had accepted the recommendation of the Restructuring Project Manager that no compulsory redundancies be sought and that overall the University had been successful in retaining its best people.

Professor Walker expressed thanks and congratulations to Mr S G Kay and Mr K Ross for their efforts on the project which had laid the foundation for the rebuilding process.

Disposal: Noted

109.4. DISASTER RECOVERY PLAN

A draft emergency procedures document had been produced, and this would contribute to the development, on a sectoral basis co-ordinated by the Scottish University Secretaries' Group, of an emergency planning and recovery template. It was planned to have a trial of these procedures with the emergency services over the course of the summer, an exercise planned for 17 June having had to be postponed.

Disposal: Noted

109.5. EDINBURGH BUSINESS SCHOOL

The Committee had discussed the possibility of a de novo agreement to ensure clarity in the basis of the relationship between the School and the University. A clear strategy was also needed regarding the intellectual property rights associated with the Business School, and a report on VAT issues was awaited.

Disposal: Noted

109.6 PROCUREMENT AND POP REVIEW

Deloitte and Touche were scrutinising the highest value transactions, and departments were being informed, on the basis of their future school affiliations, of the extent of their failure to implement the

- management and control systems
- avoidance of fraud
- value for money
- risk assessment and management
- fundraising

The Committee was concerned that the exercise duplicated the coverage provided by the External Audit Function, but could not be as comprehensive. The main potential danger identified by the Committee was that of quotation from the report out of context. It would be important to check the report for accuracy and proportionality. The Secretary undertook to circulate the document, once received, to the Committee. In relation to the formality of decision making by the Committee, it was noted that some meetings in the past year had not attained a quorum of the membership. The Committee had subsequently received minutes of these meetings and homologated the conclusions reached and the actions taken.

Disposal: Noted

109.8. EXTERNAL AUDIT - PLANNING OVERVIEW

The Committee had received an audit planning overview for the Year Ending 31 July 2002, prepared by Ernst & Young and identifying the most significant issues for the forthcoming audit.

It was also noted that the Vice Principal had reviewed the progress and the appropriateness of the partnering project being conducted by the former Director of Information Services and had taken the view that a clearer view of the risk and costs entailed would be required. It had been recommended to the PME that the project be deferred pending clarification of these issues.

The Committee had noted that Ernst & Young would consult with the University over the next few months on the procedures required in order for the University to demonstrate its compliance with guidance, issued by the Funding Council and based on the Turnbull Report of September 1999. It was noted that the University would require to be able to substantiate its compliance with effect from August 2002 for report as at July 2003.

The Committee had noted updated information on the developments and actions in respect of the points raised in the 2001 Management Letter. It was noted that the performance and procedures of Edinburgh Conference Centre Limited were to be reviewed by Mr S G Kay, and that the need for an itemised breakdown of the contributory elements within the balance sheet would be addressed by the Finance Office in consultation with Ernst & Young before the year end.

The Committee would return to the issue of measuring the delivered value of the audit process at its next meeting.

110. Finance Committee – Report

110.1 BUDGET 2002/3-2004/5

- Received a consolidated draft budget for 2002/03, and forecasts for 2003/04 and 2004/05, together with explanatory notes on changes from current actual figures and from previously reported estimates, set out in the categories comprising the operational summary format.
- Noted that the levels of Funding Council grants represented progress towards the boost in recurrent income on a sustained basis to be derived from the RAE Outcome.
- Noted that the level of fees expected also reflected progress in recruitment in all subject areas, particularly welcome in Science and Engineering.
- Discussed the relationship and balance of advantage between increased income and increases in attendant costs.
- Noted that a request by the University for specific help from the Funding Council with the costs of restructuring had been turned down, but that the University would continue to urge its case for ad hoc support.
- Discussed the level of abatements in fees, recognising the need for clarity in presentation and reporting to permit effective control.
- Discussed the maintenance of conditions, governing the operation of Edinburgh Business School and its relationship with the University, which would maintain the favourable VAT status currently enjoyed.
- Noted that clarification was required of the basis on which estimates of income in discretionary and non-research categories had been made by schools.
- Agreed to recommend to the Court approval of the draft budget. (Appendix A to agenda Paper E)

Disposal: Approved

110.2. THE INTERACTIVE UNIVERSITY

- Received a report regarding a proposal for the establishment of an e-learning institute to be located on the Edinburgh Campus and with 3 years initial funding from Scottish Enterprise.
- Noted that the first year's operation and funding would be devoted to the development and scaling up of the University's own external programmes (SOLD/SCHOLAR).
- Discussed the competing attractions of continuing to develop the University's programme as an independent basis, albeit with a slower growth rate.
- Noted the need to ensure that any potential contracts were comprehensively defined, reserved to the University the necessary control over the operation, and did not entail any unreasonable risk.
- Noted a preference that participating institutions be also required to make a financial contribution for the right to use the University's technology and methodology.
- Agreed to endorse the proposal and that the Principal, the Secretary and Mr Gemmell should pursue the detailed arrangements for setting up the entity proposed.

Disposal: Approved

110.4 SALE OF SEPA BUILDING

- Noted that negotiations continued on the basis of an offer of £5.8m, which should yield a net contribution to the University's finances of £2.8m.
- Noted that the sale should be complete by the end of June 2002.

Disposal: Noted

It was reported to the Court that the sale had been concluded on 24 June.

110.5 MANAGEMENT ACCOUNTS TO 30 APRIL 2002

- Noted Management Accounts for the nine months to 30 April 2002, consisting of:
 - i) an operational summary (Appendix B to agenda paper E)
 - ii) an analysis by department of tuition fees (net of abatements) and of income and overhead recovery relating to research
 - iii) detailed analysis of staff costs and other operating expenses
 - iv) schedules summarising cash flow; the balance sheet position at 30 April 2002 with earlier monthly comparators; and cash balance projection to 31 July.
- Noted the cumulative deficit to 30 April 2002 as £3978k, an increase of £586k in the month of April. The favourable variance of £1240k for the nine months period against the budget deficit of £5218k arose principally from
 - i) fulfilment of expectations in relation to grant and fee income
 - ii) an expected increase in research income and EBS royalty share
 - iii) continuing restraint in staff costs despite some strategic filling of frozen posts
 - iv) significant reduction in non-pay costs
 - v) improved recovery of research overhead costs
- Noted with satisfaction that the income in relation to research appeared, after some delay, to be reflecting the University's investment in high quality academic staff.
- Noted that with more detailed monitoring now in place there would be scope for further refinement in forecasting and projection over coming years.
- Noted an updated outturn forecast, indicating that the deficit should be well within budget despite accelerated restructuring costs of £1,100K brought forward into the current year.
- Noted that future loan repayments would require to be managed against the irregular patterns of cashflow generated by fee receipts and other lumpy income streams.
- Noted, in relation to the cash balance position, that action was being taken to reduce the University's holdings in Euros.

Disposal: Noted

110.6 NON-PAY SAVINGS

111. Ordinances and Regulations Committee - Report

111.1 BYE LAWS OF THE STUDENTS ASSOCIATION

The Committee had considered amendments to the Bye-Laws of the Students Association approved by the Council on 14 May 2002. Paragraphs 1 to 11 of the existing Bye-Laws had been re-written as paragraphs 1 to 16, existing paragraphs 12 and 13 becoming new paragraphs 17 and 18.

In rewriting paragraphs 1 to 11 opportunity had been taken to put in place new structures to reflect the new structures in the University which would be effective from 1 August 2002.

The Committee had agreed to notify the Court that the proposed revised Bye-Laws detailed in Appendix A to agenda paper F were not repugnant to the provisions of the Charter, the Statutes, the Ordinances or the Regulations of the University, and to recommend that they should be approved.

Disposal: Approved

112. University Restructuring

112.1. FINAL REPORT FROM RESTRUCTURING MANAGER

112.1.1 VOLUNTARY SEVERANCE SCHEME

a) Numbers

A total of 137 members of staff had been approved for Voluntary Severance under the Scheme, and final details were being negotiated with one member of staff.

These were made up of

Academic	41
Academic-Related	29
Technical	25
Secretarial/ Clerical	42

There were, in addition, between 30 and 40 posts which had been saved through the Vacancy Management process.

b) Costs and Savings

Figures on final total savings figures prepared by Prof. A C Walker were appended to agenda paper G. The £4.5 millions target set by Court for the end of academic year 2002/3 had been achieved.

c) Outplacement

Professional outplacement services had been made available to staff involved in the Voluntary Severance Scheme.

Awareness sessions were held both at Riccarton and Galashiels, and were attended by over 80 people.

30% of those leaving had taken part in Jobsearch Workshops, retirement workshops or individual programmes.

The facility remained open and these numbers were expected to increase as staff came up towards leaving dates, which in some cases were into 2003.

d) Conclusion

This marked the formal end of the Voluntary Severance process; the results had met the objectives set within the allocated budget.

Disposal: Noted

112.1.2 ONGOING WORK

The following residual elements of restructuring work were being handled outwith the main process:

(a) Catering, Residences and Conferences

Considerable staff reduction and re-organisation of duties took place under the main Scheme, with an Interim Director in place, Mrs Mary Rudd.

Review of the functions and their relationship with the main University was well under way, and initial recommendations would be made to senior management by the end of June.

(b) Scottish Borders Campus

PME had agreed an Academic and Structure Review of the Galashiels campus with the objective of completion by the end of 2002, chaired by Prof John Simmons, Vice-Principal and including Prof D G Owen (Assistant Principal, SBC), Mr S G Kay and Members nominated by Court and Senate. This would be integrated with a Quality Review scheduled for the same period of time.

This was occasioned by

- *the high costs and low student numbers on Technology Courses within the School of Textiles*
- *the high costs of severance for academic staff within the Scottish Teachers' Superannuation Scheme (at no higher benefit to the individual)*

- (b) It had been pointed out that a number of staff members did not find the package on offer attractive, but might do so in a number of years. The University should consider a second generation restructuring programme in due course, by which staff might be encouraged to retire early and allow the recruitment of new younger staff.

Disposal: Noted

112.1.4 THANKS AND ACKNOWLEDGEMENTS

Mr Kay expressed in his report thanks to a large number of people, who had supported and made possible the achievement of the project.

- *Prof A C Walker, P L Wilson and K M Ross, who with him had formed the Voluntary Severance Committee.*
- *The representatives of the various trades unions, who had approached the process in a wholly constructive (but robust) manner; to have achieved this without labour disruption was greatly to their credit.*
- *Principal J S Archer, the Heads of Schools-Designate and central management who gave considerable – but always challenging – support and help.*
- *Karen Wallace, Rhona Mackay, Kate Graham and the Personnel Department staff. Keith Ross provided exemplary leadership to the Department.*
- *The University community, who took the issue on and dealt with it very professionally.*

Disposal: Noted

113. STRATEGIC PLANNING DOCUMENTS 2002

The Court received as agenda paper H, Strategic Planning documentation due for submission to SHEFC by Friday, 28 June, and comprising:

- i) an analysis by key themes which structured the University's environment, arising both from its subject profile, research orientation and restructuring, and from the external policy environment for higher education and research in Scotland
- ii) the updated strategic plan set in an analytic framework
- iii) financial forecasts presented in the template required by SHEFC.

These documents also constituted the report required by SHEFC under its recently announced 'New Condition of Grant'.

The Court noted that issues such as risk and the improvement of access to University courses were dealt with at relevant points in the text rather than in discrete dedicated sections. The detailed processes adopted by the University for delivery and monitoring of its plans were also set out in the documents. The Court also recognised the challenges posed by the University's aspirations in research performance.

Mrs S G Charlesworth	Served from 1 August 2000 to 31 July 2002 as a member elected from the Senate
Mr N R Rudd	Served from 1 August 2000 to 31 July 2002 as a member elected from the Senate
Ms G A MacDonald	Served from 1 August 1996 to 31 July 2002 as a member elected by the academic and related staff
Mr J D Polson	Served from 1 August 1996 to 31 July 2002 as a member elected by the academic and related staff
Mr B Drury	Served from 1 August 2001 to 31 July 2002 ex officio as President of the Heriot-Watt University Students Association, and from October 2000 to 31 July 2001 as a member appointed by the Council of the Students Association
Mr H Collis	Served from October 2000 to 31 July 2001 as a member appointed by the Council of the Students Association
Professor E Brown	Served from 1 August 1995 to 31 July 1996 as a member co-opted by the Court: and from 1 August 1996 to 31 July 2002 as the appointee of the Chancellor in terms of clause (iv) (a) of paragraph 1 of Statute XII and as Chairman.

Disposal: Noted
The Chairman thanked all those present for their service and contribution to the work of the Court, making particular mention of the positive contribution of the student representatives.

The Chancellor paid eloquent tribute to the Chairman for his service to the University despite the manifold demands on his time, attention and expertise imposed by his professional life.

The Chancellor expressed personal pleasure both in Professor Brown's willingness to serve as the Chancellor's appointee, and in the manner in which he had discharged the responsibilities of the Chairmanship, providing leadership of the highest quality over a period of considerable difficulty, and deploying his extensive experience, judgement and wisdom with an unflinching humility and humanity.

He could take a full measure of credit for the progress of the University over the period of his involvement, and should derive a rightful satisfaction from his rôle.

To these sentiments the Principal added his personal thanks for the dedication and