

COURT

Minutes

In the Chair:	Lord Penrose	Date of Meeting: 3 October 2011
Present also:	Mr Nicholas Beadle Dr Alex Bell Professor Steve Chapman Mr Gregor Colville Mr Ken Gill Mr Allan Gray Dr Jennie Hansen Professor Julian Jones Professor David Lane Ms Shonaig Macpherson Mr Strone Macpherson	Dr Judith McClure Ms Gill McDonald Councillor Tim McKay Mr Andrew Milligan Professor Jim Ritchie Mr David Robinson Mr Michael Ross Mr Tony Strachan Dr Ian Wall Mr Keith Wallace Professor Peter Woodward
In attendance:	Professor Bob Craik Ms Ann Marie Dalton Professor Alison Harley Professor Gill Hogg Professor David Hopkins Professor Philip John Mr Peter Kerr Mr Alick Kitchin Mrs Gillian McFadzean Mr Richard McGookin	Professor Steve McLaughlin Mr Phil McNaull Ms Theresa Merrick Professor Alan Miller Ms Ruth Moir Mrs Kathy Patterson Professor Garry Pender Professor Alan Prior Mr Mike Roch Professor Andy Walker
	Mr Donald Cumming, Dundas & Wilson (for item 131) Mr Andy Fyffe, Mr Stephen Farrell and Mr Alan Christie, Ernst & Young (for item 131)	Ms Lorna Kirkwood-Smith (minutes)

126 APOLOGIES

Apologies were received from Mr Iain McLaren.

127 MINUTES OF THE PREVIOUS MEETINGS

The Court approved the minutes of the meetings of Court held on 27 June and 29 August 2011, subject to correction of a typing error reported, following the meeting, to the Secretary of the University. The Court noted that two members had highlighted errors in the record of attendance which had subsequently been amended in the master copy of the minutes.

128 COURT MEMBERS: WELCOME AND ACKNOWLEDGEMENTS

The Chairman welcomed Dr Ian Wall and Professor Peter Woodward who were attending their first meeting of the Court.

The Chairman relayed congratulations on behalf of the Court to Mr Michael Ross on his recent election to the office of President of the Students Union.

129 OBITUARIES (Paper Ct1/11/11)

The Court noted with sadness, notice of the recent deaths of the following members of staff and a past associate of the University:

- Dr Rowena Forbes: Research Administrator in the School of Management and Languages, who died in September 2011;
- Dr Rod Ferguson: Computer Officer in the School of Engineering and Physical Sciences, who died in September 2011; and
- Dr Anthony Button: former visiting Professor of Brewing at Heriot-Watt University, who died in August 2011.

130 MATTERS ARISING

The Secretary of the University reported on the following matters arising:

130.1 Government led review of higher education governance:

- the Court was asked to note that a copy of the University's submission in response to the Call for Evidence had been included with the briefing report to the Court from the Principal/PME.

130.2 The Chancellor:

- the Court was reminded that, since Privy Council approval of the revised Charter and Statutes, the Chancellor was no longer a member of the Court. The Court was asked to note the recommendation from the Governance and Nominations Committee in relation to the additional membership place that this change had created in the independent lay membership category (Paper Ct1/11/13); and
- the Court was asked to note that recommendations were currently being prepared in relation to appointment of a new Chancellor (to take up office from 1 December 2012). These would be considered by the Governance and Nominations Committee at its scheduled meeting in November 2011 and would be relayed subsequently to the Court for approval.

131 Reserved section (Ref Sections 30 and 33 FOISA).

132 COMMUNICATIONS FROM THE CHAIRMAN OF COURT

There were no items to report other than those which were relevant to items already included in the Court agenda.

133 COMMUNICATIONS FROM THE SENATE: ANNUAL INSTITUTIONAL STATEMENT ON QUALITY ASSURANCE AND INTERNAL SUBJECT REVIEW (Paper Ct1/11/17)

The Court received and endorsed an 'Annual Institutional Statement on Quality Assurance and Internal Subject Review' for the academic year 2010/11 which was presented by the Deputy Principal (Learning & Teaching). Noted that the report had been previously approved by the Planning & Management Executive and the Senate and would be forwarded to the Scottish Funding Council as an element of the required annual institutional reporting to the Council.

The Court noted the Summary Report on the University's Enhancement-Led Institutional Review (ELIR) which formed part of the report which confirmed the overarching 'confidence' judgement awarded. The Secretary of the University confirmed that the University action plan developed to address the highlighted 'Areas for Development' would be considered and monitored for progress by the Audit and Risk Committee. A follow-up report on the actions taken would be presented to the Court in due course. The Court noted the requirement for the University to provide a formal

written response to the review one year after publication of their ELIR response.

134 COMMUNICATIONS FROM THE PRINCIPAL / PME (Paper Ct1/11/18)

The Court received and noted a report from the Principal and the Planning & Management Executive on a range of news topics of current interest and involvement of the University. In addition to the items included in the report the Principal provided the Court with an oral update on the Scottish Government's 2012/13 Budget and planned allocation for the remainder of the Spending Review period up to 2014/15. This highlighted a prioritisation of funding for higher education amounting to a funding increase of 8.2% in 2012/13 with subsequent planned allocations increasing the funding by a total of 14.6% over the 2011/12 baseline by the final year of the Spending Review period. Conversely, funding for further education would reduce in total by 13.6% over the Spending Review period.

The Principal drew attention to key points included in the Ministerial letter of guidance to the SFC. These included requests that:

- the Council secures improved outcomes in relation to: retention; wider access/articulation; accelerated degrees including entry to second year; international competitiveness of research; step change in university/industry collaboration and exploitation of research; pattern and spread of provision and in efficiency*; and graduate skills/employability. *(Where efficiencies are not achieved this should be reflected in future funding decisions. The Council will be expected to establish the case for a more coherent pattern of provision and to reduce duplication);
- the unit of teaching resource is restored to 2011/12 levels;
- the Council considers the scope within the funding package announced to restore some or all of the current 'fees only' places to being fully funded, with a priority focus on institutions which have research strengths in science;
- the Council protects subjects in which 'Rest of UK' fees do not adequately reflect the costs of provision, with a particular focus on protecting the science base and 'small specialist institutions';
- research funding should be focused on institutions where Scottish Government funding will lever in the greatest resources from the Research Councils, the European Commission and other major research funders;
- the Council restores the reductions in research pooling made last year; and
- the Council works with institutions with a view to establishing a single 'Knowledge Exchange Office' for the sector.

The Court noted the expectation that the Scottish Funding Council would publish an indicative grant letter in December 2011, ahead of the formal announcement in March 2012. This arrangement would enable advantageous early access to information for modelling/planning purposes.

The Court discussed current weakness in relation to the value of research grants and contracts proposals. In this regard, the Principal highlighted the University's primary focus on quality control management of proposals for submission, with a view to achieving an improvement in conversion rates.

In response to a question raised by a member of the Court in relation to the Residences Project, the Director of Finance confirmed that, while the Galashiels site residences project was currently on track, progress at the Edinburgh site had slowed with the project now several weeks behind schedule. The contractor had been invited to present a recovery plan to achieve catch up on the project which would be considered by the Project Management Board.

135 REPORT FROM THE EMERGENCY COMMITTEE (Paper Ct1/11/19)

The Court noted that, on 25 August 2011, the Emergency Committee of the Court approved the appointment of Shonaig Macpherson as the Court appointed Chair of an ad-hoc Complaints Committee established by the Court to review a complaint submitted by a student of the University.

Noted that review by an ad-hoc Complaints Committee represented the final stage of the University's internal complaints procedure. The Court noted that the Committee's decision would be reported to the Court in due course.

136 REPORT FROM THE GOVERNANCE AND NOMINATIONS COMMITTEE

The Court received a report from the Governance and Nominations Committee and approved the following recommendations:

136.1 Appointments to the Court and Court Committees:

- a) appointment of Dr Ian Wall as an independent co-opted member of the Court with immediate effect until 31 July 2014. Noted that, as a result of changes to the Charter and Statutes, approved in July 2011, an additional vacancy had been created in the co-opted category of Court membership;
- b) appointment of Dr Ian Wall as Chair of the Estate Strategy Committee, with immediate effect until 31 July 2014 and, in this capacity, appointment to the membership of the Finance Committee: his membership of the latter to be concurrent with his chairmanship of the Estate Strategy Committee;
- c) appointment of Mr David Maxwell as Chair of the Residences Overview Board with immediate effect until the end of the project, likely to be August 2012. (Noted that Mr Maxwell was already a member of the Estate Strategy Committee);
- d) appointment of Mr Ken Wright as a member of the Residences Overview Board with immediate effect until the end of the project, likely to be August 2012. (Noted that Mr Wright was already a member of the Estate Strategy Committee).

136.2 Appointments to the Emergency Committee of the Court:

- a) due to a change in reporting status, the Estate Strategy Committee will not, in future, be represented in the membership of the Emergency Committee of the Court. There will, therefore, be no replacement to the vacant position;
- b) a remaining one independent vacancy should be filled, in due course, by the Deputy Chair of the Court, when this appointment is made;
- c) Professor David Lane should be invited to fill the staff Court member vacancy, his membership to run concurrently with the term of his Court membership.

The Court noted that all vacancies had arisen as a result of recent expiry of memberships.

137 PROPOSED ADDITION TO THE OBJECTS CLAUSE: EDINBURGH BUSINESS SCHOOL

The Court noted and approved the proposed addition to the Edinburgh Business School Memorandum of Association of five new objects clauses, noting that, in each instance, the change requested was to provide for clarification. The changes included addition of the following clauses:

- (v) the widening of business education opportunities globally at post-graduate level and to enable students worldwide to earn Scottish academic qualifications;
- (vi) the research and dissemination of best practice in the delivery of distance learning in business education;
- (vii) the establishment of endowed professorial chairs including setting up restricted endowments for professional chairs;
- (viii) the payment of grants and bursaries; and
- (ix) the acquisition, restoration and use of such assets as the Directors shall think fit, such assets to include but not be restricted to historic buildings, books and relevant artefacts, in order to protect and preserve the heritage of business education and ensure future generations of students and researchers can benefit from such assets in their study or research;

The Court noted that the proposed changes were in line with a Written Resolution of the Member in 2010, and had already been approved by Office of the Scottish Charity Regulator (OSCR). Thereafter further changes were proposed and discussed by Court in March 2011. The proposed

amendments were rejected, and Court re-affirmed the Articles as they stood prior to the changes reflected in the Written Resolution of 2010. The current amendments restored the position as altered by the Written Resolution, and were required to enable the Edinburgh Business School to re-submit them to OSCR.

138 REPORT FROM THE AUDIT AND RISK COMMITTEE

The Court received and noted a report from the Audit and Risk Committee which related to the meeting of the Committee held on 14 September 2011.

139 UNIVERSITY RISK HEAT MAP: SUMMARY UPDATE

The Court received and noted a Risk Heat Map and Risk Management Action Plan (2011-13), noting that the reports had been reviewed by the Audit and Risk Committee at its meeting held on 14 September 2011. Noted that the Risk Management Action Plan had been produced following feedback during an Internal Audit scoping meeting which focused on the University's approach to Risk Management. The Court noted that the Risk Heat Map had been considered by PME at its meeting on 29 September 2011 and would be updated as a result of that discussion.

The Secretary of the University drew attention in particular to new processes under development for identifying and managing risk and confirmed that a Risk Heat Map would be developed specifically in relation to the Heriot-Watt University Malaysia project.

140 REPORT FROM THE STAFFING STRATEGY COMMITTEE: 15 SEPTEMBER 2011 MEETING

The Court received and noted a report from the Staffing Strategy Committee which related to the meeting of the Committee held on 15 September 2011.

141 REPORT FROM THE FINANCE COMMITTEE: 26 SEPTEMBER 2011 MEETING

The Court received and noted a report from the Finance Committee which related to the extraordinary meeting of the Committee held on 26 September 2011. The single item for approval was considered in relation to minute 131 above.

142 DATE OF NEXT MEETING

The next meeting of Court will take place on Monday 14 November 2011.

COURT

Minutes

In the Chair:	Lord Penrose	Date of Meeting: 14 November 2011
Present also:	Mr Nicholas Beadle Dr Alex Bell Mr Gregor Colville Mr Ken Gill Mr Allan Gray Dr Jennie Hansen Professor Julian Jones Professor David Lane Ms Shonaig Macpherson Mr Strone Macpherson	Dr Judith McClure Ms Gill McDonald Mr Andrew Milligan Mr David Robinson Mr Michael Ross Mr Tony Strachan Dr Ian Wall Mr Keith Wallace Professor Peter Woodward
Officer in attendance:	Ms Ann Marie Dalton	
Others in attendance:	Professor Bob Craik Professor Philippe De Wilde Professor Philip John Mr Peter Kerr Mr Alick Kitchin (presenter in relation to item 148)	Mr Richard McGookin Professor Steve McLaughlin Mr Phil McNaull Mrs Kathy Patterson Mr Mike Roch Ms Lorna Kirkwood-Smith (minutes)

143 APOLOGIES

Apologies were received from: Professor Steve Chapman, Mr Iain McLaren, Councillor Tim McKay and Professor Jim Ritchie.

144 MINUTES OF THE PREVIOUS MEETINGS

The Court approved the minutes of the meeting of the Court held on 3 October 2011.

145 REPORT FROM THE EMERGENCY COMMITTEE OF COURT (Ct2/11/33)

The Court received and endorsed a report from the Emergency Committee of the Court which had been convened on 11 November 2011, to resolve a matter referred to the Court by the Malaysia Project Oversight Board. The Emergency Committee of Court had considered the matter of a discrepancy between the minuted decision of the Court, taken at its meeting on 3 October 2011 in relation to 'specific condition' b) associated with the additional borrowing facility and loan terms required for the project, and the minuted decision of the Finance Committee following consideration of the same matter at its meeting on 25 October 2011.

The Court considered the above report in conjunction with the report from the Malaysia Project Oversight Board (Paper Ct2/11/24) below.

The Emergency Committee had considered specific condition b) set out by the Court on 3 October 2011, and had concluded that the applied knowledge and experience of the membership of the Finance Committee to the matter of the bank borrowing facility had resulted in the appropriate recommendation of the Finance Committee that an "in principle" statement of support from a bank for an application being submitted on behalf of the University to enter into the relevant Loan Facility Agreement would be acceptable.

The Emergency Committee had agreed unanimously that the stance adopted by the Finance Committee, as minuted following the meeting of the Committee on 25 October, should be adopted

by the Court, thereby rescinding the condition agreed by the Court on 3 October. The Emergency Committee further agreed unanimously that the initial proposal document presented by Barclays Bank met the requirements of the Finance Committee as set out in Committee's minutes and agreed that the views of the Emergency Committee should be relayed to the Project Oversight Board at its next scheduled meeting to take place on 11 November 2011.

146 OBITUARIES (Paper Ct2/11/22)

The Court noted with sadness, notice of the recent deaths of the following past members of staff of the University:

- Professor Charlie Brown, former Vice-Principal, who died on 11 October 2011; and
- Donald MacDonald, former Public Relations Officer, who died on 31 October 2011.

147 MATTERS ARISING

The Secretary of the University reported on the following matters arising from the previous minutes:

147.1 Strategy Planning Update:

- the Court was asked to note that a Strategy Planning update would be presented to the Court at its meeting on 12 December 2011. The University's autumn planning round discussions would shortly be underway and the University expected to receive an early indicative Grant Letter from the Scottish Funding Council in December.

147.2 Chancellor and Chancellor's Committee:

- the Court was asked to note that proposals relating to the process for appointing a new Chancellor and establishing the Chancellor's Committee, which will be responsible for lay appointments to the Court, were considered by the Governance and Nominations Committee on 14 November. The Chairman of Court confirmed that Baroness Greenfield had indicated her intention not to seek an extension to her current term as Chancellor and had made helpful suggestions as to a potential successor which would be fed into the process of review of nominees.

147.3 Court Away Day, February 2012:

- the Court was asked to note that members would be consulted soon on dates for a second Court Away Day to be held in February 2011.

148 EDINBURGH BUSINESS SCHOOL (Paper Ct2/11/31)

The Court received and noted the 5 Year Plan (2011-2016) of the Edinburgh Business School (EBS), which had been approved at the meeting of the EBS Board in June 2011. The report was supplemented by a presentation, delivered by the Business Director of the School, which summarised: the history of the School; activity trends; strategic aims; and key forward planning assumptions. Following the presentation, comments were invited by the Court on the School's strategic aims. The following key observations and comments arose in the course of discussion:

- the relative mix and profitability of corporate versus individual study course sales. It was noted that 90% of sales were to individuals, a proportion of whom will be funded by their employer. Of the remainder, there were a few examples of specialised Masters courses tailored to the needs of particular corporate partners. The most significant split in the School's provision was between independent distance learning and study via an Approved Learning Partner (ALP) where, over recent years, the balance had moved such that ALP provision had grown to account for just over half of the provision;
- age group of students. The Business Director confirmed that the average age, while edging

- downwards, remained firmly in the mid-thirties reflecting the fact that the MBA programme was designed for individuals in mid career, not fresh undergraduates;
- international competition. Key competitors were discussed and it was noted that different types of provider were competitors within different geographical areas of the market. The Business Director highlighted the activities that the School was undertaking, e.g. research involving focus groups, review of programme content and pedagogies to ensure that the School's provision remained competitive;
 - changing market conditions. The Business Director highlighted the countercyclical factor of growth in interest in higher education in times of economic recession;
 - geographical areas of competitive risk and opportunity. The Chair of the Audit and Risk Committee made the observation that the competitive landscape and associated risks were not articulated strongly in the 5 Year Plan and that he would encourage the EBS Board to review these in detail;
 - planning and organisational structure arrangements in place to support business continuity;
 - ways to improve completion rates and therefore revenue income. It was noted that growth of ALP supported provision, coupled with other student support methods, could have a positive impact on the trend;
 - asset management arrangements within the School; and
 - the need for the University to take forward further separate discussions with the School on the matter of funding for the Panmure House project.

149 COMMUNICATIONS FROM THE CHAIRMAN OF COURT

The Chairman of Court updated members on the Government-led review of higher education governance for which the Principal had recently been called to give evidence. The Chairman reported that dialogue was continuing within the CUC who were minded to make representations regardless of the outcomes of the review. It remained the expectation that the review would be completed by the end of December 2011.

The Secretary of the University added that the evidence provided to the review by the Principal included good practice evidence in relation to Heriot-Watt's arrangements for appointing governors to the lay membership of the Court and its committees. The Secretary highlighted the potential for a key outcome of the review to be the development of good governance guidance specific to Scotland. The Secretary of the University also highlighted an opportunity to review the outputs of the University's own review of governance at the planned Away Day in February 2012 and to consider these in conjunction with the wider Scottish review.

150 COMMUNICATIONS FROM THE SENATE (Paper Ct2/11/23)

The Court received a report from the Senate relating to its meeting held on 12 October 2011.

150.1 Fees Working Group: reporting line:

The Court approved a recommendation by the Senate that the reporting line of the Fees Working Group (FWG) should be as a sub-committee of the Finance Committee. It was noted that it was no longer appropriate for the FWG, which was originally established to act with the delegated authority of the Senate in the process of consultation on tuition fees, to report to the Senate.

The Court noted the distinction between major policy matters relating to fees, such as the University's Rest of UK fees policy, which had been appropriately referred for discussion and approval by the Court, and the more regular schedule of annual course fees which fell within the remit of the Finance Committee to consider and approve with the delegated authority of the Court.

In response to a request made by a member of the Court, the Vice-Principal confirmed the intention to provide the Court with an update on student applications, including the profile of these across different categories, at its meeting on 12 December 2011.

150.2 Proposed change to the title of Sub-Dean:

The Court approved a recommendation by the Senate that the title 'Sub-Dean' should be changed to 'Associate Dean' to reflect more accurately the role of supporting the Dean in the execution of his or her duties. The Court also approved the recommendation of the Senate that, given the relatively minor changes that will require to be made to the relevant Ordinances and Regulations, these should not require consideration by the Ordinances and Regulations Committee.

150.3 Other items reported for information:

The Court noted other items presented for information.

151 HERIOT-WATT UNIVERSITY MALAYSIA PROJECT (Paper Ct2/11/24)

The Court received and noted an update report on the Heriot-Watt University Malaysia (HWUM) Project which was presented by the Chair of the Project Oversight Board. The Court considered the report in conjunction with the report from the Emergency Committee of Court (Paper Ct2/11/33) above.

The Court noted progress to date in relation to the project concluding with the most recent meeting of the Oversight Board on 11 November 2011. At this meeting the Board, following receipt of a report from the Emergency Committee of the Court held on the same date, had confirmed that it was satisfied that all the relevant conditions set by the Court had been met. The Board had concluded that the Approval to Lease documentation and the statement from the University's solicitor, Dundas and Wilson, were satisfactory, and that the initial proposal document received from a potential bank lender provided sufficient comfort to proceed. The Board had concluded that it was satisfied that there was no basis for standing in the way of the Agreement to Lease being signed.

The Court, having received the report of the Malaysia Project Oversight Board following the meeting of the Board on 11 November 2011, concluded that, on the basis of the decision of the Court dated 3 October 2011 and the conclusions reached by the Oversight Board, all of the relevant conditions set by the Court on its previously confirmed approval for the establishment of HWUM and signing of the Agreement to Lease had been met. The planned signing of the Agreement to Lease document on 15 November 2011 will, therefore, be carried out with the full authority of the Court.

152 CONVOCATION (Paper Ct2/11/25)

The Court noted and approved a proposal for the dissolution of the Convocation with immediate effect, thereby rescinding Ordinance 48, noting a report of key steps in the process of revising the University's Charter & Statutes and consulting with the Convocation from 2009 up until the meeting of the Convocation held in June 2011.

The Court noted and endorsed the University's proposed approach to future stakeholder engagement, noting that an important guiding factor, influencing the University's decision making, would be the outcomes of the Government led review of high education governance. The Court noted the expectation that good practice recommendations for the sector will emerge from the review and noted also that it was possible that the Convocation would not be replaced by a similar type of body, but that a range of other mechanisms would be developed to enhance and support the University's engagement with stakeholders.

153 BARCLAYS BANK: AMENDMENT TO FACILITIES LETTER AND GUARANTEE (Paper Ct2/11/26)

The Court noted and approved proposed amendment to the Barclays Bank Facility Letter dated 4 July 2007, which related to the "striking off" of ECC from the register of companies of the UK. It was noted that this change gave rise to required amendment to Clause 13(j) of the Facility Letter and Guarantee.

The Court noted, in accordance with the Conditions Precedent, that the proposed changes will not come into effect unless the Bank has received a certified true copy of a resolution of the University Court accepting the amendment to the Facility Letter as set out and the Guarantee on behalf of the University and authorising a specified person or persons to sign and return to the Bank a duplicate of the letter.

The Court resolved that:

(i) the Facility provided by Barclays Bank plc ("the Bank") consisting of the facility letter dated 4 July 2007 between the Bank and the University as borrower, as amended from time to time, be further amended in accordance with the Consent Letter provided by the Bank dated 29 June 2011; (ii) the Guarantee by, amongst others, the University in favour of the Bank dated 26 June 2007, be amended in accordance with the said Consent Letter; (iii) the Principal, Vice-Principal, Senior Deputy Principal or Secretary be authorised to execute the duplicate of the Consent Letter and any other relevant Finance Documents on behalf of the University as required by the Bank.

154 ANNUAL ACCOUNTS AND FINANCIAL STATEMENTS (Paper Ct2/11/27)

The Court received and approved Annual Accounts and Financial Statements for the year ended 31 July 2011 which had been approved previously by PME and the Finance and the Audit and Risk Committees at their meetings on 25 October 2011, while noting changes to be adopted in the External Audit Opinion on the Accounts (set out on pages 16 and 17 of document), as reported below.

The Chair of the Audit Committee highlighted that minor typos would be corrected before publication. Court members were advised to report anything they find amiss in the document to the Director of Finance. A member of the Court suggested that references to 'Catering and Residences' which remained in the report should be altered to 'Hospitality Services'.

Attention was drawn by the Director of Finance to required changes to the External Audit Opinion on the Accounts and referred to the Ct2/11/27 supplementary paper on this topic which the Court had received. The Court noted that the changes arose from a change in the Scottish Funding Council's mandatory requirements attached to the Financial Memorandum with funded institutions and related to external audit reporting requirements. The Court noted the required changes and noted that they represented no adverse change to the Opinion or its impact on the financial statements.

The Court received and approved the proposed Management Representation letter for the University's External Auditor in connection with the audit of the group and University financial statements for the year ended 31 July 2011.

155 REPORT FROM THE FINANCE COMMITTEE

The Court received and noted a report from the Finance Committee which related to the meeting of the Committee held on 25 October 2011. All items were presented for information with the exception of items 1: draft Management Representation Letters; and 2: review of draft group annual reports and accounts for the year ended 31 July 2011, which were considered under item 154 above. Professor David Lane, presented the report on behalf of the Chair of the Committee and summarised the topics considered by the Committee, as reported.

In response to a point raised by a member of the Court on reporting to the Court about progress in making new academic appointments, the Vice-Principal confirmed that an update would be provided to the Court at its December 2011 meeting in the context of the 5-Year Plan.

In response to a point raised by a member of the Court on the reported delay in the Edinburgh site Residences, the Director of Finance confirmed that discussions were still ongoing with the contractor to agree a plan to put the project back on track by June 2012. The University was currently negotiating with the contractor to agree a level of acceleration payment which would be acceptable to the University to achieve this aim.

156 REPORT FROM THE AUDIT AND RISK COMMITTEE

Received and noted a report from the Audit and Risk Committee which related to the meeting of the Committee held on 25 October 2011. All items were presented for information.

The Chairman highlighted that a report relating to the meeting of the Committee on 7 October 2011 was pending. The Chairman highlighted in particular the Internal Audit Plan timetable for 2011/12. The Audit and Risk Committee had requested that a University wide review of project management be conducted within the current year Internal Audit Plan as part of planned Capital Management Review. It was intended that the review would encompass also the University's subsidiary companies. The Chairman of Court indicated his support for the Committee's proposal.

157 ANY OTHER BUSINESS

APPOINTMENT OF HONORARY CHAPLAIN

The Court noted and approved a recommendation for the appointment, as Honorary Chaplain, Heriot-Watt Orkney Campus of The Reverend Billy Burnside, Church of Scotland Minister of Stromness, Orkney.

A member of the Court requested information about other Honorary Chaplains associated with the University and their role and it was agreed that a briefing paper would be presented to the Court at its meeting on 12 December 2011.

REPORT ON THE OUTCOMES OF A REVIEW OF A STUDENT COMPLAINT BY AN AD-HOC COMMITTEE ESTABLISHED BY THE COURT

The Court received and noted a report, presented by Shonaig Macpherson, as the Court-approved chair of the ad-hoc complaints committee established in August 2011 to review a student complaint. **Reserved section.** The Chairman relayed thanks to Shonaig Macpherson for the significant amount of work that she had undertaken in leading the committee's review of the complaint.

HERIOT-WATT UNIVERSITY MALAYSIA PROJECT

A question was raised, in the context of the Annual Accounts and Financial Statements, about the large scale of necessary activity associated with the Heriot-Watt University Malaysia Project and the resulting pressure on current staff members. The Chairman of Court advised that this was a matter to which the University should give further consideration.

158 DATE OF THE NEXT MEETING

The next meeting of Court will take place on Monday 12 December 2011.

Signed

Date

COURT

Minutes

In the Chair:	Lord Penrose	Date of Meeting: 12 December 2011
Present also:	Mr Nicholas Beadle Dr Alex Bell Professor Steve Chapman Mr Gregor Colville Mr Ken Gill Mr Allan Gray Dr Jennie Hansen Professor Julian Jones Ms Shonaig Macpherson Mr Strone Macpherson	Dr Judith McClure Ms Gill McDonald Councillor Tim McKay Mr Iain McLaren Professor Jim Ritchie Mr David Robinson Mr Michael Ross Mr Tony Strachan Dr Ian Wall Mr Keith Wallace
Officer in attendance:	Ms Ann Marie Dalton	
Others in attendance:	Professor Bob Craik Professor Philippe De Wilde Professor Philip John Professor David Hopkins Mr Peter Kerr Mr Alick Kitchin Mr Richard McGookin Mr Phil McNaull	Ms Theresa Merrick Ms Ruth Moir Mrs Kathy Patterson Mr Mike Roch Professor John Sawkins Professor Andy Walker Ms Lorna Kirkwood-Smith (minutes)

159 APOLOGIES

Apologies were received from: Professor David Lane, Mr Andrew Milligan and Professor Peter Woodward.

160 MINUTES OF THE PREVIOUS MEETINGS

The Court approved the minutes of the meeting of the Court held on 14 November 2011.

161 MATTERS ARISING

161.1 COURT AWAY DAY ON 20 FEBRUARY 2012

The Secretary of the University provided an update to the Court on plans for an additional Court Away Day to be held on 20 February 2012. The Secretary highlighted:

- plans to allocate half of the whole-day event to the University's own review of governance effectiveness (to be informed also by the outcomes of the government-led review of higher education governance), and the other half to the Strategic Plan / Vision / Mission;
- in order to make the most of the opportunity, consideration was being given to how best to engage Court members in a preparatory period in the run-up to the Away Day. It was also planned to engage the support of a facilitator at the event; and
- that arrangements would be made to facilitate input from Court members who are unable to attend the Away Day on 20 February.

161.2 RESIDENCES PROJECT UPDATE

The Director of Finance provided an update to the Court on recent progress in relation to the Residences Project. The Director of Finance highlighted:

- the combined (Edinburgh and Galashiels) project remained within the approved cost budget;
- risk mitigation arrangements required that some of the contract contingency be utilised to ensure that both projects are delivered on time for July/August 2012 handovers. In relation to the lag against programme in the Edinburgh site project, an anticipated completion date of 29 June 2012 was scheduled. Around £500 k of additional cost will be required to enable this deadline to be met, approximately £300 k of which will be met by the University, with the remainder to be met by the contractor;
- a small amount of time had been lost in progress towards the Edinburgh campus residences building being brought to a watertight condition as a result of recent bad weather; and
- progress at the Scottish Borders Campus site was on programme, but delay mitigation measures were being introduced as a precaution in the event of bad weather.

162 STRATEGY UPDATE REPORT (Paper Ct3/11/34)

The Court received and discussed a strategy update report provided by the Vice-Principal. The Court received and noted:

- i a summary 'score-card' of financial, learning and teaching, and research performance of the Schools in 2010/11;
- ii an update on academic recruitment for the period March 2010 to December 2011;
- iii a forecast of income relative to plan for the current year, 2011–2012; and
- iv initial indications of undergraduate student application statistics, particularly noting data for 'Rest of UK' (RUK) students, for whom the coming year will be the first under the new fees regime.

In relation to i), the Vice-Principal drew attention in particular to:

- the steady progress of measures of teaching quality. Appreciable improvements had been achieved in all categories with the exception of entry qualifications (up to 2010 entry); however, the subsequent annual report was expected to show an improvement in this area.
- the importance of the research performance indicator data given the high degree of correlation between this measure and performance in national research assessment (REF) performance. The report highlighted areas of strength but also areas of weakness, highlighting remaining challenges and a considerable amount of work yet to be undertaken. High quality academic appointments had been achieved, but not through a straight forward and sustained programme of recruitment. While there had been no shortage of applications, significant co-ordinated effort, supported by external help and streamlining of the University's processes, had been required to achieve the current level of high quality recent appointments.

In relation to iii), the Principal drew attention to the current forecast income from tuition fees and research grants and contracts against ambitious targets within the current year plan, highlighting short-falls against target for research grants and contracts and, to a likely lesser degree and concern, tuition fees. The scale of shortfall lay within contingency fund provisions; however, there was a clear indication of fundamental strategic issues which would drive revisions to planning assumptions for future years of the plan. Over the coming period particular focus would be given to research income, in preparation for REF2014. The Vice-Principal highlighted that further detailed discussion on planning assumptions would take place at the meeting of PME scheduled on 15 December 2011.

In response to questions and observations raised in the course of discussion, it was confirmed:

- in relation to the financial position of the School of Textiles and Design, that the Senior Deputy Principal had led a recent review of the School and that an interim report of the outcomes would be presented for consideration at the meeting of PME on 15 December 2011. Recommendations emerging from the review would be focused on delivery of an achievable recovery plan;
- there would be close engagement of senior colleagues in the marketing surrounding academic recruitment activity to ensure that opportunities are optimised to publicise attractive features of, and good news about, the University to prospective candidates;

- the University was engaged in a range of activities aimed at increasing its research income. These included conducting research reviews in each School, the outcomes of which will inform future School plans; focused discussions within the Research & Knowledge Exchange Board; the Converge - working with industry project; participation in the Scottish Crucible Project; and staff peer review of research grants and contracts applications aimed at improving award rates;
- preparations were underway for a mock REF exercise which would focus on strategies for optimisation of REF performance and consider the potential impact of the assessment of performance in relation to the University's REF-driven funding stream;
- the University had undertaken a branding research exercise three years previously and had acted on the outcomes of the research. The Director of External Affairs acknowledged that it would be timely to review the effectiveness of these actions; and
- that there was a favourable variance against the national trend in relation to RUK applications to Heriot-Watt, although it was acknowledged that it was still far too early in the recruitment cycle to draw any reliable conclusions.

163 HERIOT-WATT UNIVERSITY MALAYSIA UPDATE (Paper Ct3/11/35)

The Court received and discussed an update report on the Heriot-Watt University Malaysia (HWUM) Project which was presented by the Chair of the HWUM Oversight Board on behalf of the Board. The report highlighted recent activities in Malaysia following the decision to proceed with signing the Agreement to Lease with Putrajaya Holdings (PjH) and publicly launching the HWUM Project.

The Chair of the Board highlighted in particular:

- the report of the signing of the Agreement to Lease and the launch event on 15 November 2011;
- a first meeting of the Board of HWUM had been held in Kuala Lumpur on 30 November 2011;
- significant progress achieved, but with much more yet to do, in relation to programme accreditation and other regulatory matters;
- a further meeting of the HWUM Oversight Board, to be held before the Christmas break, would consider the mechanism by which the University will best be able to exercise control over HWUM while ensuring compliance with tax rules. The originally proposed Shareholders Agreement had since been deemed an insufficient mechanism for protecting the University's interests and an alternative method of control via a license agreement, specifying the terms under which HWUM will operate as a branch campus of Heriot-Watt University, will be considered in more detail.

The Senior Deputy Principal confirmed, in relation to item 4 of the report, that capitalisation of the company to the value of RM20 m (~£4 m) had recently been arranged.

The Court noted potential advantages in relation to the fit-out of the temporary and the main premises by PjH, if agreement can be reached on mutually acceptable terms.

It was noted that there had been a reasonable amount of press/media coverage about the HWUM project. This had been reported in the regular press data 'Key Coverage' reports. A member of the Court who had subscribed to this service provided by Corporate Communications commended it to other members as a means of keeping up with key press stories featuring the University.

164 Reserved Section: Ref section 30, FOI(S)A).

165 COMMUNICATIONS FROM THE CHAIRMAN OF COURT

The Chairman of Court raised the observation about comments made by a few members of the Court on the remaining workload capacity of the senior team given the scale of different projects currently underway and requested that the Principal reflect on whether this is a matter which requires further consideration. The Principal agreed to raise the point for further discussion at the

forthcoming meeting of the PME.

166 COMMUNICATIONS FROM THE SENATE (Paper Ct3/11/37)

The Court received a report from the Senate relating to its meeting held on 7 December 2011.

There were no comments or questions raised in relation to the items, all of which were presented for information.

167 COMMUNICATIONS FROM THE PRINCIPAL / PME (Paper Ct3/11/38)

The Court received and noted a report from the Principal and the Planning & Management Executive on a range of news topics of current interest and involvement of the University. In addition to the items included in the report the Principal provided the Court with an oral update on:

- the USS pension scheme. The Principal reported that the latest valuation of the scheme confirmed a £2.9 b fund deficit. A recovery plan had been proposed which would not involve increased contributions from employers for at least the next few years, pending the next triennial evaluation of the scheme in 2014. It was possible that if further adverse movement in the fund was evident at the next triennial evaluation, the recovery plan might be revised from the current proposal of no increase to the employers' contribution for the next 6 years until 2017. The Principal reported that each percentage increase in the pension contribution would amount to an additional ~£0.75 m cost to the University; and
- the Principal's involvement in preparation by Universities Scotland of a sector response to the Government post-16 consultation White Paper. The Principal would act in a consultative capacity in drafting the response in the areas of: efficient flexible learner journeys; aligning learning and skills with jobs and growth; maintaining Scotland as a global leader in university research; and simplifying funding and increasing income generation. The Principal advised that he would share with Court members a revised draft of the US response after 16 December.

The Principal thanked members of the Court who had attended graduation ceremonies held at the Edinburgh Campus in November 2011 and encouraged other Court members to consider participating at future ceremonies.

In response to the briefing item on IT priorities and a question raised by a Court member about IT security, the Director of Information Services confirmed robust firewall arrangements were in place at University and individual School level. A review was due to take place on network security as part of a series of wider reviews on various aspects of the University's IT support arrangements.

The Court noted the suggestion that it would be appropriate for the Court to receive a fuller update report on IT plans and priorities at a future meeting.

168 REPORT FROM THE GOVERNANCE & NOMINATIONS COMMITTEE (Paper Ct3/11/39)

The Court received a report from the Governance and Nominations Committee relating to the meeting of the Committee held on 14 November 2011.

168.1 APPOINTMENT OF NEW CHANCELLOR AND CHANCELLOR'S COMMITTEE

168.1.1 Appointment of a new Chancellor

The Court noted that the current Chancellor would demit office on 30 November 2012 and it was expected that a new Chancellor would be appointed to take up office from 1 December 2012.

168.1.2 Selection committee for the appointment of a new Chancellor

The Court approved a recommendation that the following members of the Court should be invited to join the membership of the selection committee for the appointment of a new Chancellor, subject to their willingness to accept:

- Dr Judith McClure
- Mr Strone Macpherson
- Mr Keith Wallace
- Mr Michael Ross

168.1.3 Description of role and commitment of the new Chancellor

The Court approved a description of the role and commitment of the new Chancellor as recommended by the Committee.

The Secretary of the University confirmed that prospective candidates for the role of Chancellor would be advised of the time commitment that will be expected of the role-holder.

Court members were invited to make suggestions to the Secretary of the University in relation to a head-hunter to be commissioned to assist in the identification of suitable candidates.

168.1.4 Search criteria and selection procedure

The Court approved the search criteria and selection procedures for a new Chancellor, as recommended by the Committee, and approved the recommendation that the Governance and Nominations Committee be authorised by the Court to guide and advise the Selection Committee to identify suitable candidates.

168.1.5 Composition of the Chancellor's Committee

The Court approved the recommendations of the Committee:

- that the Chancellor's Committee be established with the authority to make recommendations for up to ten members of the Court, in compliance with the terms of Statute XII and Ordinance 50: *Recommendations for appointment to the Court*;
- that the Chancellor's Committee should meet at least once each year, in replacement of a meeting of the Governance & Nominations Committee, to consider nominations to the independent lay membership of the Court;
- in relation to the proposed membership of the Committee. The Court approved the recommendations:
 - that one of the three lay members of the Court who are currently members of the Governance & Nominations Committee should be invited to fill a vacancy in the Court member category of the Chancellor's Committee with the remaining two members invited to attend the Chancellor's Committee as provided for in para 3.2 of Ordinance 50; and
 - that the Vice-Principal should also be invited to attend the Chancellor's Committee as provided for in para 3.2 of Ordinance 50.
- that the Statute and the Ordinance relating to the Chancellor's Committee appointments to the court should be reviewed in 2011/12. The Court noted that this may lead to a proposal that the University should seek Privy Council approval for a revision to Statute XII such that the authority of the Governance & Nominations Committee to make recommendations to the Court in relation to Court membership is re-established.

168.1.6 Chancellor's Committee Terms of Reference

The Court approved proposed Terms of Reference for the Chancellor's Committee.

168.2 MEMBERSHIP OF THE COURT AND SUCCESSION PLANNING

The Court approved the recommendation of the Committee that the Governance & Nominations

Committee will consider a report from the Chairman of the Court on his appraisal of individuals' contributions against the future needs of the Court and will agree on the recommendations to be presented to the Court at a subsequent meeting. The Court agreed with the Committee's recommendation that such appraisals should be conducted in all future cases, including the membership expiries below, to support the Committee's review of potential reappointments.

The Court noted that the memberships of the following independent lay members of the Court would end on 31 July 2012 and that all were eligible for re-appointment.

- Ms Shonaig Macpherson
- Mrs Iain McLaren
- Mr David Robinson

168.3 MEMBERSHIP OF COURT COMMITTEES AND SUCCESSION PLANNING

168.3.1 Audit and Risk Committee

The Court noted the reported status quo, noting that the Committee had no recommendations to make at the present time.

168.3.2 Estate Strategy Committee

The Court approved the following recommendations of the Committee which were aimed at restructuring the composition of the Estate Strategy Committee:

- non-renewal of the Court membership place occupied by Professor Jim Ritchie following expiry of his Court membership on 31 July 2012;
- restriction to one representative student member attending any single committee meeting;
- that the membership of the Committee should include, ex officio, the Director of Campus Services, the Director of Hospitality Services, Director of Estate Services and the Director of the Centre for Sport & Exercise.

In response to a question raised by Professor Jim Ritchie, the Secretary of the University agreed to check and confirm whether another academic member of staff would occupy a full membership place following his departure from the Committee membership.

168.3.3 Finance Committee

The Court noted the view of the Committee that there was a need to identify further members of the Court to serve on the Finance Committee.

The Court approved the recommendations of the Committee that Mr Andrew Milligan should be invited to transfer his membership from the Audit and Risk Committee to the Finance Committee with immediate effect, thereby reducing the Court membership of the Audit and Risk Committee.

The Court noted that a running vacancy in the lay membership of the Finance Committee would remain for the time-being.

168.3.4 Remuneration Committee

The Court approved the recommendation of the Committee that an invitation be extended to Mr Andrew Milligan to join the Remuneration Committee, subject to his willingness and ability to accept.

168.3.5 Staffing Strategy Committee

The Court approved the recommendation of the Committee that, subject to her willingness and ability to accept, Ms Shonaig Macpherson be invited to join the Committee through transference of the vacant lay members place to a Court member place.

168.3.6 Ordinances and Regulations Committee

The Court noted the reported status quo, noting that the Committee had no recommendations to make at the present time.

168.3.7 Emergency Committee of the Court

The Court noted the reported status quo, noting that the Committee had no recommendations to make at the present time.

168.3.8 HWU Malaysia Oversight Board

The Court noted the appointment as Chair of the HWUM Oversight Board of Ms Shonaig Macpherson.

168.3.9 Residences Project Oversight Board

The Court noted the current membership which was strong and noted that the Committee had no recommendations to make. The life of the Board would end in 2012.

168.3.10 Terms of Reference: Governance and Nominations Committee

The Court approved proposed revised Terms of Reference for the Governance and Nominations Committee which, inter alia, included amendments reflecting the establishment of the Chancellor's Committee and the Governance and Nominations Committee's revised role in relation to appointments to the Court.

168.3.11 Other items reported

The Court noted other items which were presented for information.

169 AMENDMENTS TO THE BANK MANDATE FOR LLOYDS TSB DUBAI (Paper Ct3/11/48)

The Court noted and approved proposed amendments to the Lloyds TSB Dubai bank mandate with an effective date of 1 January 2012. The Court approved the following resolution statement by way of a record of its decision, authorising signing of the resolution by the Chairman of Court and the Secretary of the University :

At a meeting of the University Court of Heriot-Watt University held on 12th December 2011 It was resolved that:

The University Court hereby authorise the following amendments to the current signatories on the Lloyds TSB Dubai bank mandate:

Karen Mackintosh, Group Management Accountant is to be added to the current bank mandate and Kevin Mallett, Group Financial Controller is to be removed from the current mandate. Both amendments effective from 1st January 2012 until such time as notification is given to Lloyds TSB Dubai to cancel this resolution.

170 ANNUAL REPORT OF THE AUDIT AND RISK COMMITTEE (Paper Ct3/11/40)

The Court received and noted an Annual Report 2010/11 from the Audit and Risk Committee. The Chair of the Committee drew attention in particular to: the report of the Committee on further progress made over the course of the year in improving the University's risk management processes; the unqualified audit opinion on the Group financial statements by the external auditor; and the report from the Committee on governance overview.

The Chairman of Court voiced support on behalf of the Court, in particular in relation to the work of the Committee in overseeing the effectiveness of the University's risk identification, management and reporting processes, and the Committee's encouragement of University management to

continue to seek further improvements across the University and its subsidiary businesses.

In relation to risk a member of the Court questioned the inclusion, within a single line, of Dubai campus operations within the University's Risk Heat Map, given that there were areas of specific risk, such as bribery, associated with overseas operations. The Chair of the Committee highlighted the intention of the Committee over the course of the coming year to oversee risk management beyond Scottish campus operations. The Secretary of the University highlighted plans, over the same period, to develop the University's Risk Register, ensuring alignment with the new Strategic Plan. This process would necessitate extensive discussions on many areas of risk.

171 ANNUAL REPORT OF THE INTERNAL AUDITOR (Paper Ct3/11/42)

The Court received and noted an annual report prepared by Scott Moncrieff for the financial year 2010/11 addressed to the Principal and the Court. The report provided a statement of the internal audit cover achieved and a summary audit opinion on the University's control environment and systems of internal control.

No comments were raised in relation to the report.

172 UNIVERSITY RISK HEAT MAP (Paper Ct3/11/41)

The Court received and noted an updated Risk Heat Map which set out the current status of identified strategic risk factors.

The following comments observations were raised by members of the Court:

- it was suggested that where a risk is assessed as red, with a positive trend indicator, this should be supplemented with an additional line confirming the mitigation action(s) in place. The same member of the Court also highlighted that aggregated reporting of risks had the effect of obscuring the actual risks. The Secretary of the University confirmed that the planned risk management discussion and reporting framework aimed to ensure appropriate identification and discussion of risks at all levels within the University and appropriate consolidation of identified risks in the University-level risk register;
- it was suggested that reporting should include the assessed impact of risks as well as the risks themselves and that a consolidated up to date risk register should be made available at the time that the University accounts are being considered; and
- the Audit and Risk Committee had recently requested that a University-wide review of Project Management, including all subsidiary companies, be conducted as part of the current year's Internal Audit Plan. The Committee was concerned in particular to ensure that effective project governance structures were in place to support the HWU Malaysia Project; something that the HWUM Oversight Board was not fully equipped to assess. The Audit and Risk Committee was also keen to receive a full up-to-date Risk Register (providing an auditable record of risks and issues) for the HWUM Project as quickly as possible. The Senior Deputy Principal confirmed his expectation that this would be available to the committee in the near future and that work was currently ongoing to develop the full Register through a very dynamic stage of the project.

173 REPORT FROM THE STAFFING STRATEGY COMMITTEE (Paper Ct3/11/43)

The Court received and noted a report from the Staffing Strategy Committee which related to the meeting of the Committee held on 9 November 2011. The Chair of the Committee highlighted the topics discussed by the Committee, as reported.

No comments were raised in relation to the report.

174 REPORT FROM THE FINANCE COMMITTEE (Paper Ct3/11/44)

The Court received and noted a report from the Finance Committee which related to the meeting of the Committee held on 22 November 2011.

No comments were raised in relation to the report.

175 ANNUAL REPORT OF THE FINANCE COMMITTEE (Paper Ct3/11/45)

The Court received and noted an Annual Report 2010/11 from the Finance Committee.

The Chair of the Committee emphasised the concern of the Committee to ensure that there is timely and appropriate reporting of accumulating risks to the Committee by University management.

No comments were raised in relation to the report.

176 ANY OTHER BUSINESS

176.1 HONORARY CHAPLAINS OF THE UNIVERSITY

The Court noted a report on the role of Honorary Chaplains at Heriot-Watt University which was provided by the University Chaplain in response to a request by the Court made at its November 2011 meeting.

176.2 STUDENT APPEAL: REPORT FROM THE COURT MODERATOR

The Court received a report presented by the Court Moderator of an appeal submitted by a postgraduate student of the University.

The Court noted that, in terms of Regulation 36: *Student Appeals*, the recommendation of the Moderator, following review, was that the student appeal was not justified and that the appeal should therefore be refused. The Moderator recommended to the Court that no new or unconsidered issues of substance had been raised and that there was no *prima facie* case for the issues to be considered further by an *ad hoc* committee of enquiry established by the Court.

The Court approved the recommendation of the Moderator, noting that the student would be informed of the outcome of the review in writing as soon as possible including confirmation that there is no further internal right of appeal.

177 DATE OF THE NEXT MEETING

The next meeting of Court will take place on Monday 5 March 2012.

COURT

Minutes

In the Chair: Lord Penrose Date of Meeting: 20 February 2012

Present also: Mr Nicholas Beadle Councillor Tim McKay
Dr Alex Bell Mr Iain McLaren
Professor Steve Chapman Mr Andrew Milligan
Mr Allan Gray Professor Jim Ritchie
Dr Jennie Hansen Mr David Robinson
Professor Julian Jones Mr Michael Ross
Ms Shonaig Macpherson Mr Tony Strachan
Mr Strone Macpherson Mr Keith Wallace
Ms Gill McDonald Professor Peter Woodward

Officer in attendance: Ms Ann Marie Dalton

Others in attendance: Ms Lorna Kirkwood-Smith (minutes)

178 APOLOGIES

Apologies were received from: Mr Gregor Colville, Mr Ken Gill, Professor David Lane, Dr Judith McClure, Mr Iain McLaren and Dr Ian Wall.

179 VICE-PRINCIPAL (MALAYSIA): REPORT FROM THE SENATE

The Court received a report from the Senate relating to the meeting of the Senate held on 1 February 2012 which included recommendations in relation to the appointment of a Vice-Principal for the Malaysia Campus and a proposed draft new *Ordinance 56: Appointment of the Vice-Principal (Malaysia)*.

In accordance with Statute III: paragraph 12, the Court:

- approved the establishment of the office of Vice-Principal (Malaysia);
- approved the proposed new *Ordinance 56: Appointment of the Vice-Principal (Malaysia)*;
- approved the appointment of the Vice-Principal (Malaysia) as a member of the Senate, in accordance with Statute XIII: paragraph I (viii); and
- approved the appointment of Professor R J M Craik as Vice-Principal (Malaysia) for the period to 31 July 2017. The Court noted that the exact date of the commencement of the appointment would be agreed in the near future.

The Court noted that the Principal had informed the Senate, subject to approval of Professor Craik's appointment as Vice-Principal (Malaysia), that he would be appointing Professor J W Sawkins, currently a Dean of the University, as Deputy Principal (Learning & Teaching).

COURT

Minutes

In the Chair:	Lord Penrose	Date of Meeting: 5 March 2012
Present also:	Mr Nicholas Beadle Dr Alex Bell Professor Steve Chapman Mr Allan Gray Dr Jennie Hansen Professor Julian Jones Professor David Lane Ms Shonaig Macpherson Mr Strone Macpherson Dr Judith McClure	Ms Gill McDonald Mr Andrew Milligan Professor Jim Ritchie Mr David Robinson Mr Michael Ross Mr Tony Strachan Dr Ian Wall Mr Keith Wallace Professor Peter Woodward
Officer in attendance:	Ms Ann Marie Dalton	
Others in attendance:	Professor Bob Craik Professor Alison Harley Professor Philip John Professor Alan Miller Mr Richard McGookin	Professor John Sawkins Professor Andy Walker Ms Fiona Waldron Ms Lorna Kirkwood-Smith (minutes)

180 ANNOUNCEMENTS

The Secretary of the University announced the re-election, as President of the Students Union, of Mr Michael Ross, who will therefore remain in the membership of the Court for a further year until 31 July 2013. It was noted that the Vice-President from 2012 to 2013 will be appointed by the Students Union from 1 June 2012 and will join the membership of the Court from 1 August 2012.

Congratulations were relayed to the Students Union, via the President, in relation to the recent announcement that the Heriot-Watt Student Union has been named as University Students' Union of the year 2012.

The Secretary of the University informed the Court of the election, in January 2012, of Mr Keith Wallace as President of the Watt Club.

181 APOLOGIES

Apologies were received from: Mr Gregor Colville, Mr Ken Gill, Councillor Tim McKay and Mr Iain McLaren.

182 OBITUARIES (Paper Ct4/12/50)

The Court noted with sadness notice of the recent deaths of the following associates of the University:

- Dr Chris Greig: former member of the Court and Chair of the Finance Committee, who died in January 2012; and
- Dr Roland Burkhard: Lecturer in Geographic Information Systems in the School of the Built Environment, who died on 6 February 2012.

183 MINUTES OF THE PREVIOUS MEETINGS

The Court approved the minutes of the meetings of the Court held on 12 December 2011 and 20 February 2012.

184 MATTERS ARISING

184.1 HERIOT-WATT AND UNIVERSITY OF EDINBURGH (Ref: Minute 164 of the December 2011 meeting)

The Secretary of the University confirmed that an interim report, including historical background information on the collaborations that have existed between Heriot-Watt and the University of Edinburgh, would be provided at the regular meeting of the Court to be held on 14 May 2012.

184.2 GOVERNANCE AND NOMINATIONS COMMITTEE

The Secretary of the University confirmed that it was intended to schedule the next meeting of the Governance and Nominations Committee in May 2012. Part of the busy agenda for this meeting will be concerned with recommendations emerging from the Effectiveness Review of the Court and its committees.

184.3 GOVERNMENT LED REVIEW OF HIGHER EDUCATION GOVERNANCE (Ref: Minute 161 of the December 2011 meeting)

The Principal updated the Court on the result of the Universities Scotland led survey of opinion on the recommendations that had emerged from the report of the Review of Higher Education Governance and communications by himself and representatives from other Scottish universities to the Chairman of the Review, Professor Ferdinand von Prondzynski. The Principal confirmed that he had sought a meeting with the Cabinet Secretary for Education and Lifelong Learning, but had not, thus far, received acknowledgement of his request.

The Chairman, updated the Court on a recent meeting of the Committee of Scottish Chairs and confirmed that the Committee, represented by a selected small group, would also seek a meeting with the Cabinet Secretary for Education and Lifelong Learning to discuss drafting of Scottish governance. The Chair confirmed that he would confer further with the Principal in the meantime.

In response to a question raised by a Court member as to the view of the Office of the Scottish Charity Regulator and impact of potential legislation on institutions' charitable status, the Principal confirmed that he would raise this at the next meeting of Universities Scotland.

184.4 FUNDRAISING CAMPAIGN

The Secretary of the University updated the Court on the success of the Development and Alumni Office 2012 Telephone Fundraising Campaign supported by the student body which had so far raised a total of £180,000 with the creation of 700 new donors. This had been the most successful campaign in the University's history and with additional staff involvement, the target had been increased to £200,000 from the initial target of £60,000. All funds raised will support scholarships, bursaries and other student-centred initiatives.

184.5 ESTATE STRATEGY COMMITTEE COMPOSITION

A member of the Court and of the Estate Strategy Committee requested that the future membership of the Estate Strategy Committee should include at least two academic* members of staff (i.e. fully practicing academic members of staff, not members of the University's senior management team). It was noted that the Committee had previously agreed that at least one and possibly two such members should be included. The Chair confirmed that provision should be made accordingly in the context of the internal review of governance being taken forward by the Secretary of the University, but that the exact number of academic staff representatives should not be prescriptive at this stage.

185 UNIVERSITY 5-YEAR PLAN DEVELOPMENT: STRATEGY UPDATE (Paper Ct4/12/51)

The Court received and discussed an update report on development of the Five-Year Plan which was presented by the Vice-Principal. The report provided a summary of the outline of the plan, principal changes to the 2012 Plan relative to the 2011 Plan including altered planning assumptions, and identified future challenges and next steps.

The Vice-Principal confirmed, in response to a question, that the assumption on inflation (pay and non-pay combined) amounted to approximately 4% through the life of the Plan. The Vice-Principal also confirmed that the assumption of 20 strategic new academic appointments – a target which had not been met over the last few years – had not been carried through as an assumption in the new draft Plan; however, there would be the financial capacity within the plan to make appointments up to this level. It was observed that around one-quarter of research income attracted by academic staff had an impact on the University's financial bottom line, the remaining three-quarters being swallowed up by direct costs. The contingency fund in the budget would be sufficient to cover any shortfall in the element which would impact on the financial bottom line.

The Court discussed scenario planning in the event of a major financial shock; i.e. an impact of up to £10 m. The Vice-Principal confirmed that the University could manage a negative impact of this magnitude, but this would necessitate a substantial reduction in academic investments. Bank borrowing would also be an option if faced with this scenario.

In response to a question about arrangements for and timing of the Edinburgh Business School Five-Year Plan, the Principal confirmed an expectation that the School will provide the relevant planning information in due course with the expectation that this will reflect shared vision between the School and the rest of the University. The School adhered to a different planning schedule from that in place in other Schools.

The Court discussed the need for capital expenditure investment to support teaching and research. It was noted that the substantial reduction in centrally funded capital grants had a significant impact on the University's financial planning with reserves to be found from surpluses made in the University's operations. It was noted that this would be more challenging to achieve in the earlier years of the Plan than in the latter years when the University's financial position will be expected to be significantly stronger. The Principal highlighted also the option of bank-borrowing against robust business cases as well as opportunities for fund-raising through philanthropic donations.

The Court noted that, following further iteration, the 2012 Five-Year Plan would be presented to the University Executive in April, to the Finance Committee in May and to the Court at its meeting on 25 June 2012 for final approval.

186 HERIOT-WATT UNIVERSITY MALAYSIA UPDATE (Paper Ct4/12/52)

The Court received and discussed an update report on the Heriot-Watt University Malaysia (HWUM) Project which was presented by the Chair of the HWUM Oversight Board. The report confirmed recent progress, next steps/events and issues arising in relation to the HWUM project and was supplemented by a review of political risks. The Chair provided an additional oral update to the report following the meeting of the Oversight Board which took place in the morning of 5 March 2012.

The Chair highlighted in her report:

- a revised Risk Register for the project had been received by the Board on 5 March 2012;
- Professor Brian Robertson's temporary relocation to Malaysia enabled direct interaction with Putrajaya Holdings in developing and finalising space plans for space;
- there was a robust plan in place to mitigate cost overrun associated with accommodation fit-out costs; and
- the new appointment of Vice-Principal (Malaysia) and Project Assistant to support the Project Manager.

In response to a question from the Chair of the Audit and Risk Committee, it was confirmed that the extent of the cost over-run could be significant and the Oversight Board were considering estimates in detail. It was confirmed that, if the value of the over-run reached £0.5 m or more, a report would be presented to the Court and the relevant approval sought. In the meantime the Oversight Board had requested monthly updates from the HWUM Project Board.

187 COMMUNICATIONS FROM THE CHAIRMAN OF COURT

The Chairman of Court advised the Court of key items discussed at the meeting of the Finance Committee held on 29 February 2012. These included:

- discussion on a report on development of the Five-Year Strategic Plan (paper as presented directly to the Court);
- projected financial outcome for the current year which reflected, amongst other things a reduction in Professional Services expenditure achieved through restructuring and an increased contribution from Hospitality Services; and
- a highly positive report on student applications.

188 COMMUNICATIONS FROM THE SENATE (Paper Ct4/12/53)

The Court received a report from the Senate relating to the meeting of the Senate held on 1 February 2012.

188.1 **Periods of office and reappointments: Vice-Principal of the University and Vice-Principal (Dubai):**

The Court approved a recommendation from the Senate for an extension to the initial periods of office of the Vice-Principal of the University and the Vice-Principal (Dubai) and for associated modifications to *Ordinance 32: Vice Principal of the University* and *Ordinance 45: Vice-Principal (Dubai)*. It was agreed that the initial periods of office of both appointments shall be five years with the option of consecutive re-appointment for a period of up to five years. It was noted that the recommendation accorded with the lengths of appointments of other senior appointments within the University.

In accordance with the above decision, the Court approved a further recommendation for extension of the initial periods of appointment to 5 years of the following:

- Professor Julian Jones, Vice-Principal: extension to 31 July 2015; and
- Professor Ammar Kaka, Vice-Principal (Dubai): extension to 31 July 2015.

188.2 **Proposed modifications to Ordinance 56: Vice-Principal (Malaysia):**

The Court received and approved a draft new *Ordinance 56: Appointment of the Vice-Principal (Malaysia)*.

188.3 **Proposed revisions to the constitution of the Student Union / Regulation 21: Student Union:**

The Court received and approved a draft revised *Regulation 21: Student Union*. The Court noted that the Regulation served as the Constitution of the Student Union as an independent charity with requirements for its own Constitution and Trustee Board. It was noted that the Constitution had been reviewed and modified to ensure continued compliance with legislation and had been approved, along with the associated Bye Laws, at the Annual General Meeting of the Student Union Executive Council held in January 2012.

The Court noted that, in the light of the revisions to Regulation 21, Ordinance 3: Students Union would be reviewed and that any required changes would be presented subsequently to the Court for approval.

188.4 **Other items reported for information:**

The Court noted other items presented for information.

189 COMMUNICATIONS FROM THE PRINCIPAL / UNIVERSITY EXECUTIVE (Paper Ct4/12/54)

The Court received and noted a report from the Principal and The University Executive on a range of news topics of current interest and involvement of the University. In addition to the items included in the report the Principal provided the Court with an oral update on:

- the University's appreciation of the support and partnership working of the Students Union in relation to the National Student Survey;
- a topping out ceremony had been held on 2 March 2012 to mark the completion of the shell construction phase of the Edinburgh Campus residency building. The project was on schedule for completion in time for the new academic year; and
- progress in relation to global platform academic appointments. In response to a question from a Court member the Principal confirmed that rate of progress remained a cause for concern, however procedures had been improved to speed up the process and recruitment in the current year was growing in strength of numbers. While appointments fell short of target, they did not do so by a very great margin and, importantly, the agreed quality threshold for appointments had been preserved.

The Chairman of Court highlighted the recent publication of the report of the Woolf Inquiry: '*An inquiry into the LSE's links with Libya and lessons to be learned*' and encouraged Court members to read the report.

The Chairman of Court encouraged members to take up the opportunity to participate in the programme of strategy development themed workshops.

190 COURT EFFECTIVENESS REVIEW: NEXT STEPS (Paper Ct4/12/55)

The Court approved proposals presented by the Secretary of the University aimed at making progress in the development of recommendations associated with the outcomes of the Court Effectiveness Review. It was noted that it was intended that recommendations for change would be considered by the Governance and Nominations Committee and submitted to the Court for consideration at its meeting in June 2012.

The Secretary of the University highlighted that the any necessary governance changes which may arise from the Government-led review of higher education governance would be considered separately at a future date.

191 REPORT FROM THE GOVERNANCE AND NOMINATIONS COMMITTEE (Paper Ct4/12/56)

The Court received and noted a report from the Governance and Nominations Committee relating to the meeting of the Committee held on 16 January 2012.

191.1 **Appointment of Chancellor:**

The Court noted an update report on progress.

191.2 **Results of the Governance Effectiveness Review:**

The Court noted that Court Effectiveness Review results had been reported to and discussed at the Court Away Day held on 20 February 2012.

191.3 **Appointment of Deputy Chairman of the Court:**

The Court noted the Committee's endorsement of the proposal for the creation of a Deputy Chair of the Court and that a proposal would be presented in due course for the approval of the Court.

192 STATEMENT OF PRIMARY RESPONSIBILITIES (Paper Ct4/12/57)

The Court received and noted an invitation by the Secretary of the University to Court members to review the Court's Statement of Primary Responsibilities and to submit any recommendations for change by 30 March 2012. It was proposed that the Statement would be presented at the meeting of the Court to be held on 14 May 2012 for approval. It was noted that the review formed part of the annual cycle of review of the Statement which was agreed by the Court in 2011.

193 RESERVED ITEM

Reserved section: Ref section 30 FOI(S)A.

194 REPORT FROM THE EMERGENCY COMMITTEE OF COURT (Paper Ct4/12/59)

The Court noted the decision of the Emergency Committee of the Court on 10 February 2012 to approve the nomination of Mr Andrew Milligan as a Court appointee to the Chancellor Selection Committee in replacement of Mr Keith Wallace.

195 REPORT FROM THE AUDIT AND RISK COMMITTEE (Paper Ct4/12/60)

The Court received and noted a report from the Audit and Risk Committee relating to the meeting of the committee held on 9 February 2012. The Chair highlighted items as reported. All items were presented for information.

In response to a question from a Court member on actions that the University would take in the event that hostilities in the Middle East escalated so that there were heightened risks for Heriot-Watt staff deployed at the Dubai Campus, the Principal confirmed that Foreign Office advice would be followed and that any risk would apply to a relatively small number of staff members. The Chairman of Court made the recommendation that, for clarification, the University should document its policy and the risk impact reduction measures that would be undertaken in the event outlined above.

196 UNIVERSITY RISK HEAT MAP (Paper Ct4/12/61)

The Court received and noted an updated Risk Heat Map which set out the current status of identified strategic risk factors.

The Secretary of the University drew attention to the presentation given to the Audit and Risk Committee at its meeting in February 2012 confirming the planned improvements to the University's risk management, monitoring and reporting framework. The proposals for change, which had been endorsed by the Audit and Risk Committee, would involve consideration of the relevant parts of the Risk Register by all of the relevant management committees.

Court members raised the following queries in relation to the Risk Register, which was otherwise noted. The Secretary of the University agreed to take steps to address the first two points:

- on page 1 of the report, the HR Change Management risk was presented as red, but appeared is amber on page 2;
- in relation to the Financial Sustainability risks on page 1, it was commented on the text commentary that the controls in this area are to identify and mitigate(key word missing) risk,

- not to prevent or reduce the risk. Rewording was therefore recommended; and
- the position of the sector in relation to UKBA policy. The Principal confirmed that the sector continued to lobby government on this issue and that responses received had been mixed.

197 ANNUAL TRAC REPORT (Paper Ct4/12/63)

The Court received and noted an annual TRAC report presented by the Senior Deputy Principal on behalf of the TRAC Development and Resource Modelling Group. The report included a summary of the University's most recent TRAC return made in January 2012 with benchmark comparisons, and an edited version of a report presented at a previous meeting of the Court with updated information, together with a summary highlighting recent actions and current issues.

The Senior Deputy Principal highlighted funding bodies' expectations on institutions to use benchmark data internally to support better understanding of costs, longer term financial sustainability and to engage their governing bodies. The Court also noted that Heriot-Watt had volunteered to be one of sixteen institutions involved in a national pilot exercise to be carried out on financial "sustainability metrics and going concern".

The Court noted and discussed Heriot-Watt's reported level of loss on publicly funded teaching which appeared to be out of step with the University's peer group. The Senior Deputy Principal advised that it was possible that the difference derived from variances in accounting methods. It was possible also that Heriot-Watt's portfolio with its relatively high proportion of science and engineering subjects, was also a factor.

It was requested that the Court be kept informed of the issues which contribute to the University's reported TRAC performance as well as future steps to bring Heriot-Watt reporting into line, if there are simple accounting issues at stake. The Senior Deputy Principal confirmed that it would be possible to share data with institution(s) with a similar profile to Heriot-Watt.

198 RESIDENCES PROJECT UPDATE (Paper Ct4/12/64)

The Court received and noted a report on progress of the Residences Projects (Edinburgh and Scottish Borders Campuses) which was presented by the Secretary of the University.

The Secretary of the University highlighted that the acceleration agreement relating to the Edinburgh Campus project had been finalised and the contractor was working to a completion date of 29 June 2012. Progress at the Scottish Borders Campus project remained on programme and both projects were projected to be completed within approved budget parameters. The Secretary of the University drew attention to the request of the Audit and Risk Committee that the committee receives minutes of the meetings of the Residences Oversight Board to gain additional assurance against possible future delays in the project.

A member of the Court highlighted the level of cost associated with procurement of "advice" and suggested that it would be helpful to have a more detailed explanation of the costs as well as lessons learned for feeding into future projects.

199 REPORTS FROM THE STAFFING STRATEGY COMMITTEE (Paper Ct4/12/65)

The Court received and noted reports from the Staffing Strategy Committee which related to the meetings of the Committee held on 25 January and 13 February 2012. All items were presented for information.

The Chair highlighted items as reported, drawing attention in particular to the Committee's interest in equality and diversity issues and greater prominence of these within the committee's future schedule of business and with regard to all campuses of the University.

The Principal highlighted the criteria established in relation to Athena SWAN silver status as an aspirational point of reference.

The Secretary of the University highlighted plans in the near future to provide presentations and a revised policy on equality and diversity to the Senate and the Court and work ongoing by the Equality Office to develop equality statistics relating to the University's staff and student bodies.

200 ANY OTHER BUSINESS

ORDER OF AGENDA

It was agreed to organise future Court agenda to provide a higher placing for reports from Court Committees. A member of the Court further suggested that risk factors should influence the running order of agenda.

201 DATE OF THE NEXT MEETING

The next meeting of Court will take place on Monday 14 May 2012 (Court Away Day and regular meeting).

Signed

Date

COURT

Minutes

In the Chair:	Lord Penrose	Date of Meeting: 25 June 2012
Present also:	Mr Nicholas Beadle Dr Alex Bell Professor Steve Chapman Mr Ken Gill Mr Allan Gray Dr Jennie Hansen Professor Julian Jones Professor David Lane Ms Shonaig Macpherson Mr Strone Macpherson	Dr Judith McClure Mr Andrew Milligan Professor Jim Ritchie Mr David Robinson Mr Michael Ross Mr Tony Strachan Dr Ian Wall Mr Keith Wallace Professor Peter Woodward
Officer in attendance:	Ms Ann Marie Dalton	
Others in attendance:	Professor Bob Craik Professor David Hopkins Professor Phil John Professor Alison Harley Mr Alick Kitchin Mr Richard McGookin	Mr Phil McNaull Professor John Sawkins Ms Fiona Waldron Professor Andy Walker Ms Lorna Kirkwood-Smith (minutes)

215 APOLOGIES

Apologies were received from: Ms Gill McDonald and Mr Iain McLaren.

216 ANNOUNCEMENTS

On behalf of the Court, the Chairman thanked Dr Alex Bell and Dr Jennie Hansen, attending their last meeting of the Court, for their valuable contributions to the work of the Court over the past three years.

The Chairman confirmed that it was planned to hold an autumn reception at Hermiston House for all members of the Court including outgoing members.

217 MINUTES OF THE PREVIOUS MEETINGS

The Court approved the minutes of the meeting of the Court held on 14 May 2012.

218 MATTERS ARISING

218.1 Government-led review of higher education governance

The Court noted an oral update provided by the Chairman of Court.

218.2 Statement of Primary Responsibilities

The Chairman confirmed that he would review suggested updates to the Court Statement of Primary Responsibilities over the summer period.

218.3 **Reserved section (Ref Section 30 FOI(S)A)**

219 UNIVERSITY STRATEGIC PLAN (Paper Ct6/12/71)

The Court received and approved a draft document as the basis for further development of the University's definitive Strategic Plan which will be presented to the Court for consideration and approval at its meeting on 1 October 2012. The Court also endorsed the development, over the same period, of a full set of key performance indicators, against which the delivery of the Plan will be measured; the full set to be based on the KPIs which had been presented alongside the draft Strategic Plan.

In the course of discussion, a number of observations / comments were raised by individual members of the Court in relation to the full Strategic Plan and its subsequent implementation. Comments included:

- it will be important to arrive at a brief vision/mission statement for the University which; nevertheless, manages to capture the distinctiveness of mission and ambitions of the University;
- the full Strategic Plan should include a section detailing risks/threats to the Plan, planned actions to mitigate the risks, and also opportunities. This section of the Plan could be used, for example, to highlight external changes on the horizon which may come into close focus in the period beyond the life of the 2013-18 Plan but which will need to be, anticipated, planned for and developed through subsequent Plan updates, e.g. IT developments in the learning environment, and Lifelong Learning and CPD trends;
- the University should consider establishing a forum to discuss horizon scan issues and associated opportunities and threats;
- the concept of the "width of education" ("Scottish width") in terms of benefits to society, the University's broad educational vision, graduate attributes etc could be more strongly expressed than indicated in the draft Plan;
- the Plan should depict an integrated view of learning and teaching where face-to-face teaching methods have their place alongside IT-focused teaching;
- given the aim of parity of esteem between research and teaching it will be important to encourage staff in relation to teaching ambitions in the same way as for research;
- the Court should be updated annually on progress in relation to staff performance/development and contributions aligned to strategic goals;
- the format and level of KPI reporting to the Court, as well as the full content, will require further consideration;
- it will be important, over the course of the next year, for the Court to receive information on the University's competitors; and
- it would be useful to have Court's input into a SWOT analysis.

220 FIVE-YEAR FINANCIAL PLAN (Paper Ct6/12/72)

The Court received and approved a 5-Year Financial Plan 2012-2017 and financial commentary which was presented by the Finance Committee, supported by a presentation by the Vice-Principal.

In his presentation the Vice-Principal drew attention in particular to:

- the 2011/12 forecast bottom line and plan bottom-line figure to 2016/17;
- the declining proportion against income of Professional Service expenditure to conform to benchmark;
- School and Hospitality Services' contributions;
- Group provisions (contingencies, academic investment/PhD studentship support, "spend-to-save" Professional Service review investments, replacement to SFC capital grants provision, and Malaysia Campus project);

- improvements in the SFC main grant which was firm for 2012 (contingent on 'Outcome Agreement'), reasonably firm for 2013 and 2014 and estimated thereafter;
- tuition fee and research income assumptions including changes of the 2011 Five-Year Plan;
- the planned rate of total and research income growth with contribution from the Malaysia campus enabling the 7% surplus target to be met only in the second half of the Plan period;
- further review of the Dubai Campus contribution to take place over the coming summer months. The Dubai plan was therefore not approved; however, the final agreed plan would include an increase in contribution;
- the continuing consultation with staff in the School of Textiles & Design on staff restructuring. Meanwhile provisional figures were included for the School in the Plan; and a scenario case to demonstrate the level of resilience of the plan against adverse circumstances (i.e. the worst credible scenario). It was noted that more precise modelling would be required to predict the comparative impact against benchmark of significant stress on and tighter prioritisation of Research Council funding.

The Court discussed the likely scale of risk across key income streams in adverse circumstances, noting that the probability of all of the key income streams being significantly adversely affected were judged at almost zero. Core funding from the SFC would continue to fall as a proportion of total income, but the University would need to remain alert to future risks in this area of income and the ability of the University to rebalance its income from external markets sources. While the University might survive a significant drop in income in the operational short term, the longer term strategic impact would be substantial.

The Court noted and discussed the vital importance of a good REF2014 result to the University's Strategic Plan and Five-Year Financial Plan.

221 HERIOT-WATT UNIVERSITY MALAYSIA UPDATE (Paper Ct6/12/73)

The Court received and approved a recommendation with supporting case for the establishment of Capital Contingency of £3 m to cover additional costs associated with the internal fit-out of the new campus premises under construction in Putrajaya, Malaysia. The recommendation was presented by the Chair of the Malaysia Project Oversight Board on behalf of the Board which had approved the proposal on 18 June 2012 for onward presentation to the Court. It was noted that the Finance Committee had also approved the proposal at its meeting on 8 June 2012.

The Court approved the recommendation that the HWUM Oversight Board will have responsibility for overseeing the management of the additional Capital Contingency fund, and noted that the Project Team will update the Board at each of its meetings with the latest position on premises costs estimates and the extent to which the contingency will consequently be called upon. It was noted that the Project Team would continue to identify areas of potential savings and would work with the Oversight Board to ensure that use of the contingency is minimised. The Court noted that the Oversight Board would also consider, in due course, the matter of the agreement on how the final additional costs are managed in relation to the rental agreement. In the meantime it was judged to be in the interests of both parties to confirm the final fit-out costs as quickly as possible.

The Court noted that the recommendation arose from a developing issue concerning the cost of fitting out of the new campus premises in Putrajaya which had been previously reported to the Court and the Audit and Risk Committee at their meetings in March 2012. The Court noted the reported background to the issue, its origins, lessons learned, consequent actions being taken, an update as to the current position and a proposed way forward. The Court noted also a report on general progress of the HWUM project which had been prepared by the Senior Deputy Principal and the Director of International Development.

Associated issues discussed by the Court included:

- the pros and cons of University control over Malaysia Campus student residences

accommodation. A member of the Court suggested that, as a key element determining the quality of the student experience, the University ought to control student residence facilities. The Senior Deputy Principal confirmed that HWU operational control of student residences did not form part of the current plan, although the University would continue to influence plans in relation to the residency facilities which will be provided to students including, inter alia, their proximity to the campus. The Principal agreed that high quality residence accommodation should be a key objective which the University would hope could be achieved through the option of an agreement on operation of residences with an like-minded third party; and

- communications from the Malaysia Qualifications Agency. The Senior Deputy Principal confirmed that arrangements were on track and that only with accreditation secured will be the University be able to be licensed to recruit students. The Court noted the expectation that the MBA will be the first course of study offered, available from 2012/13.

222 REPORT FROM THE FINANCE COMMITTEE (Paper Ct6/12/75)

The Court received and noted a report from the Finance Committee relating to the meeting of the Committee held on 6 June 2012.

222.1 Five-Year Financial Plan 2012 - 2017

This item was dealt with separately. (See minute 220 above).

222.2 Malaysia Campus Project: Provision for higher premises capital

This item was dealt with separately (See minute 221 above).

222.3 Museums Galleries Scotland Accreditation

The Court noted and approved a recommendation by the Finance Committee for the inclusion in the Committee's Terms of Reference of the following statement confirming delegated authority by the Court to the Committee in relation to the University Collections Development Policy:

(addition to the Terms of Reference, Paragraph 2.2 h) "to receive an annual report on the management of the University's permanent museum and archive collections; to approve any acquisitions with significant resource implications and any proposed disposal of items from the collections; and to review and oversee the work of the Collections Committee to preserve, promote access to and develop the collections".

The Court noted and endorsed the approval by the Finance Committee, at its meeting on 6 June 2012, of the University's Collections Development Policy and noted that the Finance Committee had approved the Terms of Reference of the Collections Committee and additions to the Terms of Reference of the Campus Services Committee.

The Court approved revised Terms of Reference for the Campus Services Committee (including a change of name to the Campus Services Strategy Committee), which had been presented by the Governance and Nominations Committee to the Court at its meeting on 25 June 2012. Amendments to the Terms of Reference included an addition reflecting provision for the preservation, accommodation and access to the University's heritage collections.

The Court noted that the above arrangements were necessary in relation to an accreditation return by the University to Museums Galleries Scotland in summer 2012 in order for the University to renew its accredited museum status.

The Court noted other items presented in the report for information.

223 RESIDENCES PROJECT UPDATE (Paper Ct6/12/76)

The Court received and noted an update report on progress of the Residences Project at both the Edinburgh and Scottish Borders sites. The project carried a red assessed risk.

The Court noted that the Edinburgh Campus project was running late to programme with the likelihood of an early August completion date – three to four weeks late. It was noted, however, that delay mitigation measures were being consistently employed and with a projected handover date of mid-August the delay would not impact on student occupation for the start of the new Semester, avoiding the need for contingency measures.

The Court noted concerns arising in relation to the Scottish Borders project with contractor commercial issues arising which will have an impact on the completion date. However the current assessment was that student occupation on 1 September remained achievable. Full contingency planning had been put in place to provide alternative accommodation should this be required and, as a backstop option, the phase 1 residences in Edinburgh could be utilised for Scottish Borders Campus students.

The Court noted that on both projects risk mitigation strategies required Contract Head Room to be utilised to assist both projects to be delivered on time for handovers in August 2012.

224 REPORT FROM THE AUDIT AND RISK COMMITTEE (Paper Ct6/12/77)

The Court received and noted a report from the Audit and Risk Committee relating to the meeting of the Committee held on 8 June 2012. The Chairman of the Committee highlighted that the Committee had not achieved quoracy; however, all items were presented to the Court for information and no formal Committee approval had been required. The Chairman drew the attention of the Court to key items which had been discussed at the meeting, as summarised at the front of the report.

The Chairman drew attention in particular to IT security concerns, given the increase in overseas operations. The Committee had therefore requested that the Director of Information Services be invited to provide the Committee with an update on IT security at its meeting in September 2012.

225 UNIVERSITY RISK HEAT MAP (Paper Ct6/12/78)

The Court received and discussed an updated Risk Heat Map which set out the current status of identified strategic risk factors, and which had been considered by the Audit and Risk Committee at its meeting held on 8 June 2012.

The Secretary of the University confirmed that the Risk Heat Map report presented would be the last presented to the Court in the current style and that work would continue over the summer period to develop the planned new style of reporting.

A member of the Court highlighted that there was no explicit reference to the current economic risk to the Euro, and recommended that this should be made explicit in the 'Horizon Scanning' section of the report.

In response to a question about the reported increased risk relating to the Dubai Campus, the Secretary of the University confirmed that the risk reassessment had been due to a payment issues which was temporary.

The Secretary of the University confirmed that as part of new reporting arrangements, a full annual report would be presented to the Court. Court members were also advised of an open invitation to Court members to attend meetings of the Risk Management Strategy Group.

226 STAFFING STRATEGY COMMITTEE REPORT 16 MAY MEETING (Paper Ct6/12/79)

The Court received and noted a report from the Finance Committee relating to the meeting of the Committee held on 15 May 2012. Item 1 of the report: policies/procedures to replace Statute XXV was presented for approval. The Court noted other items which were presented for information.

The Chair of the Committee drew attention in particular to the University's preparations for compliance with the Equality Act 2010 Scottish Regulations 2012 and the substantial work already undertaken by the Student Union in implementing the Union's own Equality & Diversity Action Plan. The Secretary of the University confirmed that a new Equality & Diversity Policy would be presented to the Court and the Senate at their meetings in October 2012.

226.1 Policies/Procedures to replace Statute XXV

The Court received and approved the following policies and procedures in conjunction with Ordinances 53 and 55 (dealt with under item 232 below), and noted a summary report on the processes of development and consultation in each case:

- Capability Policy and Procedure
- Disciplinary Policy and Procedure
- Grievance Policy and Procedure
- Maximising Attendance Policy and Procedure
- Redundancy Selection Policy and Procedure

The Court also received and noted the proposed management lines of responsibility, setting out the appropriate levels of authority to carry out investigations, award sanctions, hear appeals and to dismiss on the grounds of redundancy.

227 GOVERNANCE AND NOMINATIONS COMMITTEE REPORT (Paper Ct6/12/80)

227.1 Government-led review of higher education governance

The Court noted the report of the Committee.

227.2 Court Effectiveness Review update

The Court noted the report of the Committee confirming that the Chairman of Court would consider a summary report of the outcomes and indicative recommendations in further detail over the summer period.

227.3 Report from the Chancellor Selection Committee

The Court noted the report of the Committee.

227.4 Equality and Diversity: update

The Court noted the report of the Committee.

227.5 Staffing Strategy Committee: Terms of Reference

The Court noted and approved proposed amendments to the Terms of Reference of the Staffing Strategy Committee which were presented by the GNC including a proposed change of name to the 'Staff Governance Committee'.

227.6 Estate Strategy Committee

The Court noted and approved proposed amendments to the Terms of Reference of the Estate Strategy Committee which were presented by the GNC including a proposed change of name to the Campus Services Strategy Committee.

227.7 Court Committee naming customs

Following discussion on the proposed name changes for the Staffing Strategy Committee and the Estate Strategy Committee, the Court agreed to invite the GNC to consider this matter at its next meeting.

227.8 University governance structure

The Court noted the report of the Committee.

227.9 Review of Charter & Statutes, Ordinances & Regulations, and establishment of a Constitutional Reform Group

The Court noted the report of the Committee.

227.10 Appointment of Deputy Chair of the Court

The Court approved the recommendation of the GNC that Mr Iain McLaren be appointed as Deputy Chair of the Court, deputising for the Chairman of Court in his absence, the chairmanship to run concurrently with his Court membership, which will end on 31 July 2015.

In approving the appointment of Deputy Chair, the Court noted that the Principal wished, in the interests of good governance, to demit his charge, as set out in Statute XII, to chair the meeting in the absence of the Chairman. The Court noted, in terms of the Statute, that the next alternative; the appointee drawn from the membership to chair a meeting of the Court in the absence of the Chairman shall be the named Deputy Chair of the Court.

227.11 Remuneration Committee: Reports to the Court

The Court approved the recommendation of the GNC relating to the form of reporting of the Remuneration Committee annually to the Court, noting a template example. The Secretary of the University invited Court members to direct any suggested minor modifications to the form and content of reporting to her.

227.12 Court and Court Committee dates 2012/13 and 2013/14

The GNC has approved the proposed schedule of Court and Court Committee meeting dates for onward reporting to the Court and to the relevant Court Committees.

227.13 COURT MEMBERSHIP: SUCCESSION PLANNING

The Court approved the recommendation of the GNC that the following be re-appointed to membership of the Court for a further three years from 1 August 2012 until 31 July 2015:

- Ms Shonaig Macpherson
- Mr Iain McLaren
- Mr David Robinson

The Court noted and endorsed the reported appointments made in other categories of membership, namely:

- appointment by the City of Edinburgh Council:- it was noted that the Council had appointed Councillor Ricky Henderson, whose appointment was expected to run for a period of three years from 1 August 2012;
- appointment by the Senate:- It was noted that the Senate had elected the following members of the Senate to serve on the Court for three years from 1 August 2012: Professor Andrew Cairns, School of Mathematical & Computer Sciences;
- Dr Stephen Houston, School of Engineering & Physical Sciences; and Professor James Ritchie, School of Engineering & Physical Sciences (re-election);
- appointment by staff of the University:- the Court noted that Mr Allan Gray had been re-elected to membership of the Court for a further three years from 1 August 2012;

- President of the Student Union and appointment by the Council of the Student Union:- the Court noted that, following his re-election as President of the HWU Students Union, the membership of Mr Michael Ross will run for a further term from 1 August 2012. The Court also noted that the Council of the Students' Union has appointed Ms Laura Gregson as the member of the Court in the category of member of the Council of the Students Union from 1 August 2012.

227.14 COURT COMMITTEE SUCCESSION PLANNING

The Court noted and approved the following recommendations relating to membership of committees of the Court:

1. Audit and Risk Committee

The Court approved the recommendation of the GNC that Mr David Robinson be appointed as Chair of the Committee for a further term of three years from 1 August 2012 to 31 July 2015, running concurrently with his continued membership of the Court.

The Court noted that at least one further member of the Court should be appointed to the Committee, thereby ensuring that an existing vacancy is filled. It was noted that this matter was for the further consideration of the GNC.

2. Campus Services Strategy Committee

The Court approved the recommendation of the GNC that Professor Jim Ritchie be appointed to the membership of the Estate Strategy Committee for a further term of three years from 1 August 2012 to 31 July 2015, his membership to run concurrently with his continued membership of the Court.

The Court also approved the recommendation that the membership of the Committee be augmented and that Professor Peter Woodward should be invited to join the membership subject to his willingness to accept the invitation.

3. Emergency Committee of the Court

The Court approved the recommendation of the GNC that, conditional on his appointment as Deputy Chair of the Court, that Mr Iain McLaren be appointed to the membership of the Emergency Committee of the Court for a period of three years from 1 August 2012 to 31 July 2015, running concurrently with his continued membership of the Court.

The Court noted that the appointed Chairs of the Finance Committee and the Audit and Risk Committee from 1 August 2012 will become Court members of the Emergency Committee of the Court.

4. Finance Committee

The Court approved the recommendation of the GNC that Mr Iain McLaren be appointed as Chair of the Committee for a further term of three years from 1 August 2012 to 31 July 2015, running concurrently with his continued membership of the Court.

The Court noted that there was a current vacancy in the lay membership of the Committee and that a further vacancy will arise with from 1 August 2012 following the end of the period of membership of Mr Ray Perman. Mr Perman's membership is not eligible for renewal. It was noted that this matter was for the further consideration of the GNC.

5. Governance and Nominations Committee

The Court approved the recommendation of the GNC that the Terms of Reference of the Governance and Nominations Committee be amended such that of the four members of the Court included in the composition of the Committee membership, only three, rather than all four of these, should be Chairs of Committees of the Court. Currently the actual

membership includes the Chairs of the Finance, Audit and Risk and Staffing Strategy Committees.

The Court noted that the appointed Chairs of the Finance Committee and the Audit and Risk Committee from 1 August 2012 will become Court members of the Governance and Nominations Committee from that date.

6. Remuneration Committee

The Court approved the recommendation of the GNC that, once appointed, the Deputy Chair of the Court should be invited to join the membership of the Remuneration Committee as an ex officio member.

7. Staff Governance Committee

The Court approved the recommendation of the GNC that the memberships of the Committee of Ms Shonaig Macpherson and Mr Allan Gray be renewed for a further three years from 1 August 2012 to 31 July 2015, running concurrently with their continued membership of the Court.

The Court noted that the terms of membership of the Court of Dr Alexander Bell (Senate elected) and Mr Allan Gray (staff elected) will run until 31 July 2012. It was noted that the filling of two remaining vacancies, one in the Court member category and one in the lay member category, was for the further consideration of the GNC. It was recommended that the GNC should consider the possibility of filling the Court member vacancy with a Senate appointed member.

8. Malaysia Oversight Board

The Court noted the recent change in Chair from Professor Andy Walker to Ms Shonaig Macpherson.

9. Ordinances and Regulations Committee

The Court noted advice from the Secretary of the University that there were wider matters concerning the remit and the membership of the Ordinances & Regulations Committee which should be considered further by the GNC.

10. Other associated matters

The Court noted that a statement confirming the international scope of the committee had been included in the Terms of Reference of the Campus Services Strategy Committee and the Staff Governance Committee. Following review, a similar statement would be included, as appropriate in other Court committees' Terms of Reference.

In relation to a request that provision be made in the Terms of Reference of the Campus Services Strategy Committee for two academic staff, the Court discussed the wider principle of prescribed quotas and agreed, on balance, that there were advantages to maintaining an element of flexibility in prescribed memberships. It was recommended that the Governance and Nominations Committee give further consideration to the pattern of categories of membership across committees of the Court at a future meeting of the Committee.

A member of the Court asked that a list of the membership of each committee of the Court is provided to Court members for reference.

228 ANNUAL REPORT OF THE HWU STUDENT UNION (Paper Ct6/12/81)

The Court received and noted an Annual Report 2011/12 by the Student Union which was presented by the President of the Student Union.

The President drew attention in particular to the continuing increase in the proportion of the campus-based student population studying outside of the UK. This brought a particular set of challenges in terms of student representation.

A member of the Court highlighted, in relation to the reported excellent working partnership between the Student Union and the University, that it would be helpful to learn what mechanisms were in place to support this. In this context, the Principal proposed that it would be helpful in the future for the Court to receive a joint presentation by the Students Union and the relevant student-facing Professional Service support.

229 EXTERNAL QUALITY REPORTS FOR SFC AND QAA (Paper Ct6/12/82)

The Court received and approved the following draft reports which were presented by the Deputy Principal (Learning & Teaching):

- Annual Institutional Statement on Quality Assurance and Internal Subject Review: Academic Session 2012/12. It was noted that in Section 4.4. the title within the table section should read "Schools to be audited in 2012/13"; and
- Enhancement-Led Institutional Review (ELIR): year-on response and follow-up report. The Court noted that minor updates may be added to the report by the Deputy Principal (Learning & Teaching) prior to submission.

In relation to sections 3.4 and 3.5 of the Annual Institutional Statement on Quality Assurance and Internal Subject Review report, the Deputy Principal and the Principal confirmed that each case highlighted had been given full due consideration and that decisions had been reached after exploration of the available options and driven by the needs of students and issues of quality assurance.

The Court noted that both reports were required to be submitted to the Scottish Funding Council and the Quality Assurance Agency following approval by the University's governing body.

230 CHANGE TO AUTHORISED SIGNATORY (Paper Ct6/12/83)

The Court received and approved a recommendation that the Principal and the Secretary of the University be authorised to arrange changes to the relevant groups of signatories such that the name of Phil McNaull, Director of Finance, be removed and replaced with that on an appropriate University officer, yet to be determined.

The Court noted that the Director of Finance will be leaving his post on 31 August 2012 and that the required changes will remain in place until the appointment of a new Director of Finance, at which stage the Court will be invited to approve appropriate further revisions to signatory groups in the usual way.

231 COMMUNICATIONS FROM THE CHAIRMAN OF COURT

There were no items to report other than those which were relevant to items already included in the Court agenda.

232 COMMUNICATIONS FROM THE SENATE (Paper Ct6/12/84)

The Court received a report from the Senate relating to the meetings of the Senate held on 28 March and 28 May 2012.

232.1 Statute XXV: Ordinance 53 and Ordinance 55

The Court received and approved:

- modifications to *Ordinance 53: Discipline, removal and grievance procedures for members of staff*
- a proposed *Ordinance 55: Staff disciplinary, removal and grievance procedures: persons entitled to academic freedom*
- policies and procedures of Statute XXV presented to the Court by the Staffing Strategy Committee (Court approval of the policies and procedures is recorded under minute 226 above).

232.2 **Modifications to Ordinance 4: Requirements for degrees, diplomas and certificates**

The Court received and approved proposed minor modifications to *Ordinance 4: Requirements for degrees, diplomas and certificates* which provided for more flexible arrangements for students who wish to graduate *in absentia* rather than attend a graduation ceremony.

232.3 **Modifications to Ordinance 12: Deans of the University and Associate Deans**

The Court received and approved proposed modifications to *Ordinance 12: Deans of the University and Associate Deans* such that provisions be made for the appointment of a third, more senior, Dean of the University.

232.4 **Head of School of Management & Languages**

The Court received and approved the recommendation of the Senate that the appointment, as Head of the School of Management & Languages, of Professor Gill Hogg be extended until 31 August 2017.

232.5 **Other items reported for information**

The court noted other items presented for information.

233 **COMMUNICATIONS FROM THE PRINCIPAL / UE (Paper Ct6/12/74)**

The Court received and discussed a report from the Principal and The University Executive on a range of news topics of current interest and involvement of the University. In addition to the items included in the report the Principal provided the Court with an oral update on:

- a UKBA inspection had taken place on 8 June with a positive outcome; however a fuller UKBA audit of the University would take place in autumn 2012;
- work ongoing in consultation with the Scottish Funding Council on the Outcome Agreement which will relate to funding in 2012/13. Early priority areas within the Agreement were wider access and knowledge exchange. The Court endorsed giving delegated authority to the Principal and other relevant senior managers to develop the final Outcome Agreement statement, if necessary with the approval of the Emergency Committee of Court;
- the selection and recruitment processes which were underway to appoint a new Director of Finance and Head of IPE

The Court discussed at length the ongoing consultation on the forward plan for the School of Textiles and Design. A few Court members raised for discussion the case, as presented by the local trade union representation, for the University to wait until the outcome in the autumn of an approach to the SFC for relaxation on the cap on undergraduate numbers. The Principal and the Vice-Principal highlighted the aim, following Court support to remove the long-running deficit of the School, to clarify a sustainable plan based on year-on-year growth for the School as quickly as possible. The consultation period with staff had been extended to support the process of consultation fully, including accommodating open meetings. The University had made clear its expectation that any case for additional investment in the School should be considered on its own merits, independent of the necessary restructuring, and it was not expected that the Funding Council would agree to find additional resources essentially to fund a deficit.

The Chairman of Court confirmed his view that it would be inappropriate for the Court to direct senior management to delay the restructuring plans of the School and that University

management should be enabled to take forward their plans as set out.

234 ANY OTHER BUSINESS

DIRECTOR OF FINANCE

The Chairman, conveyed thanks and appreciation on behalf of the Court for the highly valued service to the Court over a number of years of Mr Phil McNaull, Director of Finance and wished him well in his new role as Director of Finance at the University of Edinburgh.

GRADUATION CEREMONIES

The Court noted the recent successful round of summer graduation ceremonies. Court members were encouraged to attend one of the November 2012 ceremonies if they are able.

235 DATE OF THE NEXT MEETING

The next meeting of Court will take place on Monday 1 October 2012.