

Council

9 December 2021

Minutes of the University Council meeting held on Thursday 9 December 2021 at 2.00pm, ending at 5.00pm, via MS Teams.

Present: George Garlick (Chair), Phoebe Bastiani, Frances Hanson, Matt Jukes, Professor Susan Lea, Vanessa Lee, Ursula Lidbetter, Dr David Richards, Rosalyn Schofield, Matthew Swindells, Richard Thompson, Julia Whittaker, Denise Wilson.

In attendance: Professor Becky Huxley-Binns, Professor Philip Gilmartin, Professor Paul Hagan, Professor Stephen Hardy (until 3.00), Jeremy Hartley, Professor Andy Heyes, Dr Chris Ince, Professor Lucy Mazdon, Derek Ord, Sarah Wilson.

Minutes: 22 - 42

Action by

22 Welcome, Apologies for Absence and Declarations

Apologies for absence were submitted on behalf of Holly Burton and Professor Stephen Hardy.

Frances Hanson, Stephen Hardy and Sarah Wilson all declared an interest in relation to the UHPAS pension scheme, as directors of the scheme.

23 Minutes of last meeting

The minutes of the meeting held on 25 October 2021 were approved as a correct record. It was agreed that the minutes be published on the University website.

24 Matters arising

There were no matters arising noted.

25 Chair's Report

The Chair reported that he had recently attended the opening of the University's new Law Courts, which were an impressive addition to our facilities.

The Committee received a paper setting out the proposed process and timeline of recruiting a new Vice-Chancellor. It was noted that conversations had already taken place with many staff, as well as with recruitment advisors.

It was noted that more lay members were required for the appointment panel, and it was suggested that Vanessa Lee and Julia Whittaker be invited to join the panel. Both members indicated their agreement to join.

It was reported that the draft plan included the Vice-Chancellor on the Long listing Panel. As this is not usual in the sector, this would be reviewed.

26 HUSU Update

(a) The Committee received the HUSU President Team Report.

It was reported that planning was underway for Varsity in March 2022, and that work was ongoing related to next year's elections, when three current members of the President Team were ineligible to stand again.

It was reported that the reform of Part-Time Officers positions had taken place, and that planning was underway for Women's History Month and Sexual Violence Awareness Week. Assistance was offered for the forthcoming Women in Politics event.

(b) The Committee received the Student Partnership Agreement Priorities for 2021

RESOLVED:

That the SPA Priorities for 2021 be approved.

27 Management Report

The Committee received the Management Report to Council.

It was reported that no new announcements were expected regarding the Post-16 review until after Christmas.

A number of changes in personnel at the OfS, and its focus on 'low quality courses' was noted.

The University engagement in the recent COP26 event was reported, with several staff contributing in a number of areas. The University had had a strong presence at the event and capitalised on its work on the environment.

It was noted that government guidance on Covid-19 had changed, but that the University had amended its guidance proactively recently. There was therefore limited change to the advice for staff and students and face-to-face teaching would continue.

It was reported that the University had risen from 47 to 35 in the People and Planet University League, leaving us close to the 'first class' of universities in this league and evidence of excellent progress in this area. It was noted that the University Sustainability Board was continuing to monitor progress closely.

28 Transformation Programme

It was reported that previous risks due to staff departures had been resolved with recent appointments, and therefore progress was back on track. Staff were working hard on areas of focus, including student recruitment and international students.

It was further reported that overseas PGT applications were significantly higher than at the same point last year.

29 International Strategy

The Committee received the report on progress in the International Strategy.

The PVC (International) presented the update and seven key achievements of the previous year.

It was noted that the sources of international students had diversified, due to the increased use of agents, PGT fee levels and better advertising, reducing the risk of over-reliance on a small number of markets. The aim was now to expand activity in regional and global networks, to further encourage growth.

It was reported that our global rankings were generally poor and that the key drivers were reputation amongst international academics and research. Reputation was being addressed directly through better global engagement and networks, and increased collaboration with overseas institutions and there was a recognised need to increase the volume and quality of research outputs.

It was noted that the KPI information showed large increases in the international student numbers, at 28% against a target of 20%. An increase in Home UG numbers would bring this back into line with targets. It was noted and welcomed that the growth was across all faculties.

The growth in outbound student numbers was welcomed, and it was reported that a new team had been formed to offer focussed support.

The capacity to support the increased numbers was queried and it was confirmed that this would be managed on a course-by-course basis, where some areas can recruit extra staff quickly and others cannot, and must therefore restrict recruitment. It was reported that extra staff were being recruited to support the admissions process.

The difficult political situation in various areas of the world was raised and it was clarified that we would be working closely with UUKI and would be very sensitive to these issues and work to protect the reputation of the University.

30 Annual Financial Return

It was reported that the joint Audit / Finance and Investment Committee had taken place recently and a number of items had been recommended to Council for approval. The papers had been reviewed over time and had been duly scrutinised. These would form part of the Annual Financial Return to the OfS.

(a) Annual Report and Financial Statements

The Committee received the Annual Report and Statement of Accounts for 2020/21.

It was noted that the document presented an excellent summary of the current position, showing the best financial results for many years. The Committee particularly noted the Corporate Governance Statement.

It was acknowledged that a number of people had been involved in the creation of the report and thanks were expressed for their hard work on this.

RESOLVED:

That the Annual Report and Financial Statement of Accounts 2021 be approved.

(b) Accounting Presentation and Judgemental Issues

The Committee received the Accounting presentation and judgemental issues for the year ended 31 July 2021.

The risks and judgements were considered and in particular it was noted that the University had met all banking covenants.

It was noted that USS pension provision had increased, whilst the provision for UHPAS and North Yorkshire had decreased. The USS provision was based on a 2018 valuation and the 2020 valuation had not yet been approved. External actuarial advice had been sought and had confirmed that the assumptions were appropriate.

(c) Going Concern

The Committee received a paper confirming that the University can demonstrate that it is a going concern, as required by accounting standards.

It was reported that the base budget according to the five- year business plan had been 'stress tested' by applying various risk scenarios with associated mitigating actions.

It was noted that the External Auditors had also satisfactorily reviewed the going concern basis of the accounts for a period of 18 months.

RESOLVED:

That the Going Concern paper be approved and presented to the External Auditors to support the Going Concern assertions.

(d) Letter of Continual Financial Support for Lampada

The Committee received a draft letter of continual financial support for Lampada Digital Solutions Ltd. The External Auditors had also supplied a supporting letter.

RESOLVED:

That the letter of continual financial support for Lampada Digital Solutions Ltd be approved.

(e) Letters of Representation

The Committee received the Letters of Representation from the External Auditors. It was reported that the auditors confirmed that the University's financial statements gave a true and fair view in accordance with applicable law and accounting standards.

RESOLVED:

That the letter of representation to External Auditors paper be approved.

(f) External Auditors Findings

The Committee received the Audit Findings for the year ended 31 July 2021.

It was confirmed that the audit was substantially complete and that the auditors intended to issue an unqualified audit opinion on the financial statements of the University and Lampada Digital Solutions Ltd.

Thanks were expressed for the hard work involved in preparing the annual financial reports and statements.

RESOLVED:

That the External Auditors findings be approved and the report accepted.

31 Audit Reports

(a) Audit Committee Annual Report

The Committee received and noted the Audit Committee's Annual Report. It was noted that a new internal auditor had been appointed at the start of the 20/21 academic year and that a number of delayed actions had been identified from the previous audit programme. An action plan had been put into place to ensure that outstanding actions were addressed. The report was felt to give an accurate reflection of the work undertaken.

(b) Internal Audit Annual Report for 2021

The Committee received and noted the internal audit annual report 2021. It was reported that the internal auditors were doing an excellent job and had assisted the University in making substantial progress in addressing outstanding issues.

32 Finance Report

The Committee received the Finance Report, including the 2021/22 P3 Financial Update, the Latest View, information regarding the Revolving Credit Facility extension, a Property Disposal update, and information regarding the External Audit Tender.

It was reported that the overall position was favourable to budget, cash position was favourable to forecast, pay and non-pay were both favourable to budget and all bank covenants were forecast to be met.

33 Sale of The Lawns

The Committee received a draft Agreement for the Sale of Ferens Hall and The Lawns.

It was noted that Heads of Terms had been approved previously, and that the target for the exchange of contracts was 17 December 2021.

RESOLVED:

- (i) That the draft Contract of Sale be approved.
- (ii) That the Vice-Chancellor be provided with delegated authority to execute the final contract once all matters have been concluded predicated on the fact that these matters will not materially change the content of the Contract of Sale.

34 Estates Strategy/Financial Strategy

The Committee received the Estate Masterplan and associated Financial Strategy.

It was reported that the strategies had been created in the context of the overall University 2030 Strategy.

There was considered to be a need to invest to deliver the agreed academic mission, and it was felt that although there is risk in investing, there was a greater risk in not investing.

It was noted that the academic infrastructure had not seen significant investment for some time, and was in many areas not fit for purpose, especially when compared to other institutions. The University had 10 priority academic areas for investment, together with an ambition to be carbon neutral by 2027.

It was reported that a capital investment plan had been created for the next five years and that by borrowing, investment in key areas could take place earlier.

It was proposed that the University take a private placement of £50m in 2022 and possibly a further £30m in 2025. It was also proposed to refinance the existing EIB loan (£33m) through a private placement with a tenure of 10 to 25 years.

The Committee received detailed information on the current estate condition, planned disposals, and further estate issues. The aim of the new facilities, and a comparison to other institutions' investments and buildings was also received. The plans to achieve the carbon neutral targets were presented and discussed.

It was confirmed that further stakeholder engagement would be undertaken, and that each piece of work required would have a business case and be presented for approval.

It was reported that the University was working with Lloyds, QMPF and Mills & Reeve on the proposed private placement, which was

felt to be the most appropriate source of funding. It was confirmed that sustainability linked debt was being considered.

It was noted that investment was required in order to recruit not just students but also high quality staff, in an increasingly competitive market. It was also confirmed that interest rates were low which made this a good time to invest.

It was noted that although the investment is required, the future income is not certain and the strategy must be stress tested regularly. It was also felt that when mothballing buildings, it would be important to find a use for them as soon as possible, and that care must be taken to not allow the campus to appear unattractive when building work is underway.

It was clarified that if approved, a placement could be confirmed by early March. New facilities will be built in phases.

It was suggested that the strategy was a very risky one, and that the green issues could be a separate plan with alternative funding. It was confirmed that all options to fund the green issues would be explored.

It was felt that a specific management and governance structure may be needed to closely monitor the project if approved. Staff in Finance and Estates were thanked for their work on the proposal.

RESOLVED:

That the following be approved.

- (i) a Private Placement of £50m with a tenure of 10 – 25 years to support the capital investment strategy
- (ii) a Private Placement of £33m to refinance of the EIB loan of £29m and breakage costs of c£4m with a tenure of 10 - 25 years
- (iii) the Campus Investment Strategy and its direction of travel for £265m over the next 5 years

35 Private Placement

Reported

The Chair reported that:

- (a) at its meetings of 30 September 2021 and 29 November 2021, the Finance and Investment Committee considered the proposal, and recommended to Council, that the University should seek external investment of £83 million by way of a private placement (the "**Private Placement**") of fixed rate notes (the "**Notes**");
- (b) it was now proposed that the Council should consider and approve in principle the proposal that it should delegate authority to George Garlick, Vanessa Lee, Ursula Lidbetter, Susan Lea and Jeremy Hartley (together, the "**PP Group**") to progress and complete the proposed Private Placement.

It was reported that professional advice had been sought from, and the following firms had been engaged in connection with the proposed financing:

- (a) QMPF– to act as financial adviser
- (b) Lloyds Securities Inc ("**Lloyds**") as PP agent to the University; and
- (c) Mills & Reeve LLP ("**M&R**") - to provide legal advice on the debt documentation and related matters, including governance and charity law issues.

Received

It was noted that if the University were to proceed with the Private Placement, a note purchase agreement (the "**NPA**") would be entered into between the University and the purchaser(s), and this would set out the terms on which the Notes will be issued to the purchaser(s). A first draft of the note purchase agreement was produced to the meeting (the "**NPA**").

A report from M&R, summarising the key legal terms of the NPA was produced to the meeting (the "**Report**"). The Report noted those areas of the draft NPA that may be subject to negotiation by potential investors

Noted

The Council noted that:

- (a) the proposed terms on which the Notes would be issued included the following:
 - (i) the Private Placement would be for an amount of up to £100 million for a term of up to 25 years;
 - (ii) the Notes would be unsecured and the University will covenant that they will rank at all times at least pari passu with the University's other senior unsecured borrowings;
 - (iii) certain financial covenants would be included, to be tested on an annual basis;
 - (iv) certain restrictions on, among other things, providing security to third parties will apply for as long as any Notes remained outstanding;
- (b) the actual interest rate payable on the Notes will be fixed by reference to the level of the appropriate reference Gilt at the time and date of pricing the deal; and
- (c) the NPA will be based on a standard template for private placements in the UK market, adapted for a higher education institution.

The Council also noted that a formal presentation would be made to potential investors (the "**Investor Presentation**"). The Investor Presentation will include key information about the University, including financial information, and will be used by potential investors to assist them in their decision as to whether or not to invest in the University. It is important to ensure that all of the information in the Investor Presentation is accurate and not misleading, and also that there are no material omissions. A representation to this effect will be given by the University on the date of funding pursuant to the Private Placement if the University proceeds with this financing option.

The Council then reviewed and considered the Report and the NPA, and it was noted that in order to progress the Private Placement and to complete the transaction, authority would need to be delegated the PP Group to:

- (a) determine whether the University should proceed with the Private Placement;
- (b) if the PP Group elects to proceed with the Private Placement, to finalise the Investor Presentation and to deliver the presentation to the potential investors;
- (c) to consider and approve the NPA, to make a decision on the final amount, pricing, interest coupon, interest payment dates and maturity date of the Notes on the pricing date of the Private Placement and the identity of the successful investors, and to authorise execution of all necessary documentation.

Resolved

After due and careful consideration of the Report and taking into account their duties and obligations as charity trustees pursuant to the Charities Act 2011 and the University's constitutional documents and considering the best interests of the University and whether the transaction was in furtherance of its charitable objects, **it was duly resolved** by the Council that the following be and hereby are approved:

- (a) the issue of the Private Placement be approved in principle;
- (b) all powers, authorities and discretions of the Council be delegated to the PP Group as may be necessary for the authorisation of all acts, matters or documents in connection with the proposed financing, including, but not limited to:
 - (i) authority to prepare and finalise the Investor Presentation and to deliver the Investor Presentation to the potential investors;
 - (ii) authority to prepare and negotiate the documents (the "**Transaction Documents**") required to give effect to the Private Placement;
 - (iii) consider and make the final approval of the draft Transaction Documents to be distributed to potential investors, such documentation to include, but not be limited to, the NPA;
 - (iv) authority to choose the investor(s) following consideration of bids and pricing submitted as part of

the competitive process such authority to be limited to approval of a Private Placement up to a maximum amount of £100 million, a maximum term of 25 years and with a maximum indicative fixed interest rate of 3.5% per annum and a financial covenant package that provides appropriate headroom for the new borrowing and is no more onerous on the University in overall terms than that agreed in its existing long-term loan facility from the European Investment Bank (the “**Authorised Parameters**”);

- (c) there be delegated to the Director of Finance:
 - (i) authority to fix the price on a pricing call with the successful investor, subject to the Authorised Parameters;
 - (ii) upon approval of the Transaction Documents by the PP Group, authority on behalf of the Council to execute and deliver the Transaction Documents by signing them for and on behalf of the University;
- (d) the PP Group and each member of it be hereby authorised to do all such things including the execution of documents, certificates and notices in such form and including such amendments as the PP Group in its sole discretion, sees fit and to provide further confirmation to any party involved with the transaction as is necessary or desirable to give effect to the Private Placement.

The Council noted that in the event that the proposed terms of the Private Placement are outside the Authorised Parameters, the PP Group will seek Council approval for the revised terms.

36 Modern Slavery Statement

The Committee received the Annual Modern Slavery Statement.

It was noted that the Modern Slavery Policy would be reviewed in the near future.

RESOLVED:

That the Modern Slavery Statement be approved.

37 Ferens Education Trust – Trustee Appointment

The Committee received a request to extend the term of two Council nominated Trustees.

RESOLVED:

That the extension of term of Professor Stephen Kelly and Andrew Eavis be approved.

38 University of Hull Performance Trends and KPIs

The Committee received and noted the Performance Trends and KPIs.

39 Prevent Report – Update

The Committee ratified the Prevent Report as approved by circulation previously.

40 Minutes/Executive Summary of Committees

(a) Senate – 17 November 2021

The minutes of Senate held on 17 November 2021 were submitted.

RESOLVED:

- (i) That the minutes be noted.
- (ii) That Senate Terms of Reference and Membership be approved.
- (iii) That amendment to Ordinances – New PGR Award be approved.
- (iv) That the amendment to Ordinances – New 30 credit awards be approved.

(b) Transformation Sub-Committee – 18 November 2021

The minutes of the Transformation Sub-Committee held on 18 November 2021 were submitted.

RESOLVED:

- (i) That the minutes be noted.

(c) University Ethics Committee – 29 November 2021

The draft minutes of the University Ethics Committee held on 29 November 2021 were submitted.

RESOLVED:

(i) That the minutes be noted.

(d) Joint Audit and Finance and Investment Committee – 29 November 2021

The draft minutes of the Joint Audit and Finance and Investment Committee meeting held on 29 November 2021 were submitted.

RESOLVED:

(i) That the minutes be noted.

41 Valedictions

All members

Lucy Mazdon was thanked for her contribution to the University and to Council and wished well in her future career.

42 Dates of Meetings 2021-22

Date of Meeting	<i>Deadline for papers</i>
Thursday 24 February 2022, 2.00 pm	<i>10 February 2022</i>
Thursday 28 April 2022, 2.00 pm	<i>14 April 2022</i>
Thursday 7 July 2022, 2.00 pm	<i>23 June 2022</i>
Other dates to note	
Tuesday 24 May 2022, Council Dinner	
Wednesday 25 May 2022, Away Day	

Signature of Chair _____

Date of signature _____