

UNIVERSITY OF ABERDEEN

UNIVERSITY COURT

Wednesday, 24 April 2024

THE FOLLOWING PAPERS HAVE BEEN WITHHELD ON THE GROUNDS OF CONFIDENTIALITY:

- 6.1 Report from Sub-Group on Refinancing and Covenant Agreement with Lenders (*Strictly Confidential*)
- 6.2 Going Concern Analysis (*Strictly Confidential*)
- 6.4 Annual Report and Accounts for Year End 31 July 2023 (*Strictly Confidential until signed and final External Audit Opinion confirmed*) [*The final version will be made available [here](#) in due course*]
- 6.5 External Auditor's Report & Representation Letter (*Strictly Confidential*)
- 6.6 Audit and Risk Committee Report to Court and Annual Report (*Strictly Confidential*)
- 6.7 Internal Auditor's Annual Report (*Strictly Confidential*)
- 8 FINANCIAL RECOVERY PLAN UPDATE ON PROGRESS AND POSITION (*Strictly Confidential*) [*Message to staff 25 April 2024 provides update*]
- 9 REPORT ON TRANSNATIONAL EDUCATION & INTERNATIONAL PARTNERSHIPS (*Strictly Confidential*)
- 10.1 Audit and Risk Committee (25 March 2024) (*Strictly Confidential*)

THE FOLLOWING PAPERS ARE ENCLOSED BUT SOME SECTIONS HAVE BEEN REDACTED ON THE GROUNDS OF CONFIDENTIALITY/COMMERCIAL SENSITIVITY:

- 3 Minutes of Meeting held on 28 February 2024 (*Confidential in part: 144*)
- 10.3 Finance and Resources Committee (9 April 2024) (*Confidential in part: 4.3, 5.4, 6.7-6.12, 6.16-6.18, 6.23, 6.37, 7.2-7.3, 7.13-7.18, 8.3*)

There will be a meeting of the **UNIVERSITY COURT** on **Wednesday, 24 April 2024** at 9am to 3.30pm in the Rowett Institute of Nutrition and Health.

BUSINESS

**All items of business are for discussion, providing information or context relevant for current or future decisions. Those items that require a decision today are annotated accordingly.**

- 1 WELCOME AND RECTOR'S REPORT
  - 2 DECLARATIONS OF INTEREST AND REMINDER OF COURT AND MEMBER RESPONSIBILITIES (enclosed)
  - 3 MINUTES: **For Approval** (enclosed)
  - 4 MATTERS ARISING & ACTION LOG (enclosed)
  - 5 REPORT FROM THE SENIOR GOVERNOR (enclosed)
  - 6 ANNUAL REPORT/ACCOUNTS and ASSOCIATED REPORTS  
*Chairs of Audit & Risk Committee and Finance & Resourcing Committee to be invited to provide oral reports from their meetings taking place on 22 April 2024*
  - 6.1 Report from Sub-Group on Refinancing and Covenant Agreement with Lenders (*Strictly Confidential*) (enclosed)
  - 6.2 Going Concern Analysis: **To Endorse** (*Strictly Confidential*) (enclosed)
  - 6.3 Covenant and Debt Report for Year End 31 July 2023 (enclosed)
  - 6.4 Annual Report and Accounts for Year End 31 July 2023: **For Decision** (*Strictly Confidential*) (enclosed)
  - 6.5 External Auditor's Report & Representation Letter: **To approve** the Representation Letter (*Strictly Confidential*) (enclosed)
  - 6.6 Audit and Risk Committee Report to Court and Annual Report (*Strictly Confidential*) Court is asked to formally accept the Committee's Annual Report as part of the overall assurance and approval of the Annual Report and Accounts for submission to the Scottish Funding Council. (enclosed)
- The following report was previously received and noted by Court in November 2023 but it was agreed would be brought back alongside the final versions of the Annual Report/Accounts and External Auditor's Report*
- 6.7 Internal Auditor's Annual Report (*Strictly Confidential*) (enclosed)
  - 7 REPORT FROM THE PRINCIPAL AND UPDATE ON HE SECTOR/ UNIVERSITY DEVELOPMENTS (enclosed)
  - 8 FINANCIAL RECOVERY PLAN UPDATE ON PROGRESS AND POSITION (*Strictly Confidential*) (enclosed)

- 9 REPORT ON TRANSNATIONAL EDUCATION & INTERNATIONAL PARTNERSHIPS (*Strictly Confidential*) (enclosed)
- 10 REPORTS FROM SENATE AND COURT SUB-COMMITTEES
  - 10.1 Audit and Risk Committee (25 March 2024) (*Strictly Confidential*) (enclosed)
  - 10.2 Senate (27 March 2024): **For Decision** (enclosed)
  - 10.3 Finance and Resources Committee (9 April 2024) (*Confidential in part*) (enclosed)
  - 10.4 Pensions Advisory Group (19 March 2024) (enclosed)
- 11 GOVERNANCE AND REGULATORY
  - 11.1 Annual Report on Prevent Duty (enclosed)
  - 11.2 Resolution for Formal Approval: Senate Elections (enclosed)
- 12 DATE OF NEXT MEETING: 19 June 2024, 9am to 3.30pm
- 13 **Closed Session:** Court Members and Secretary to Court Only



## UNIVERSITY COURT

### **DECLARATION OF INTEREST, BUSINESS FOR DISCUSSION AND REMINDER OF COURT AND MEMBER RESPONSIBILITIES**

#### **DECLARATION OF INTEREST:**

Any member or individual in attendance (including officers) who has a clear interest in a matter on the agenda must declare that interest at the meeting. Further information and guidance on this is available in the Conflicts of Interest and Loyalty Policy available in [Decision Time Resources Area](#) (Court/General Information for Members) or via advice from the University Secretary.

#### **BUSINESS FOR DISCUSSION:**

All items of business are for discussion, providing information or context relevant for current or future decisions. Those items that require a decision today are annotated accordingly.

#### **RESPONSIBILITIES OF COURT AND COURT MEMBERS**

Enclosed is a reminder for Court, for information, of:

- (a) its remit and primary responsibilities and the schedule of decisions reserved to it;
- (b) the role and duties of members, in particular, as trustees in charity law.

#### **FURTHER INFORMATION**

Further information is available from Bruce Purdon, Clerk to the Court, email [b.purdon@abdn.ac.uk](mailto:b.purdon@abdn.ac.uk).

**Confidentiality Status:** Open

## UNIVERSITY OF ABERDEEN

## UNIVERSITY COURT

**RESPONSIBILITIES OF COURT AND DUTIES OF MEMBERS AS CHARITY TRUSTEES****1. REMIT AND RESPONSIBILITIES**

- 1.1 The constitutional basis, authority and responsibilities of the University Court are derived largely from the statutes contained in the Universities (Scotland) Acts from 1858 to 1966 and in the Ordinances and Resolutions made thereunder. Latterly this has been supplemented by the requirements of the Higher Education Governance Scotland (Act). The University is also a registered Scottish Charity and as such the Court as the governing body is the board of trustees, its members are charity trustees and subject to Scottish charities law, with accountability to the Office of the Scottish Charities Regulator (OSCR). The powers and functions of the Court are drawn from these requirements of statute and are set out in its Statement of Primary Responsibilities <https://www.abdn.ac.uk/staffnet/governance/court-information.php#panel2452>
- 1.2 The Court has delegated many of its functions to its sub-committees: Audit and Risk, Commercialisation, Finance and Resourcing, Governance and Nominations, and Remuneration. These are set out in the respective remits of each Committee and under the Schedule of Delegations [UoA-Scheme-of-Delegation-Approved-by-Court-01032023.docx \(live.com\)](#)). It should be noted, however, that Court as the governing body remains ultimately responsible for any decisions made by sub-committees on its behalf.

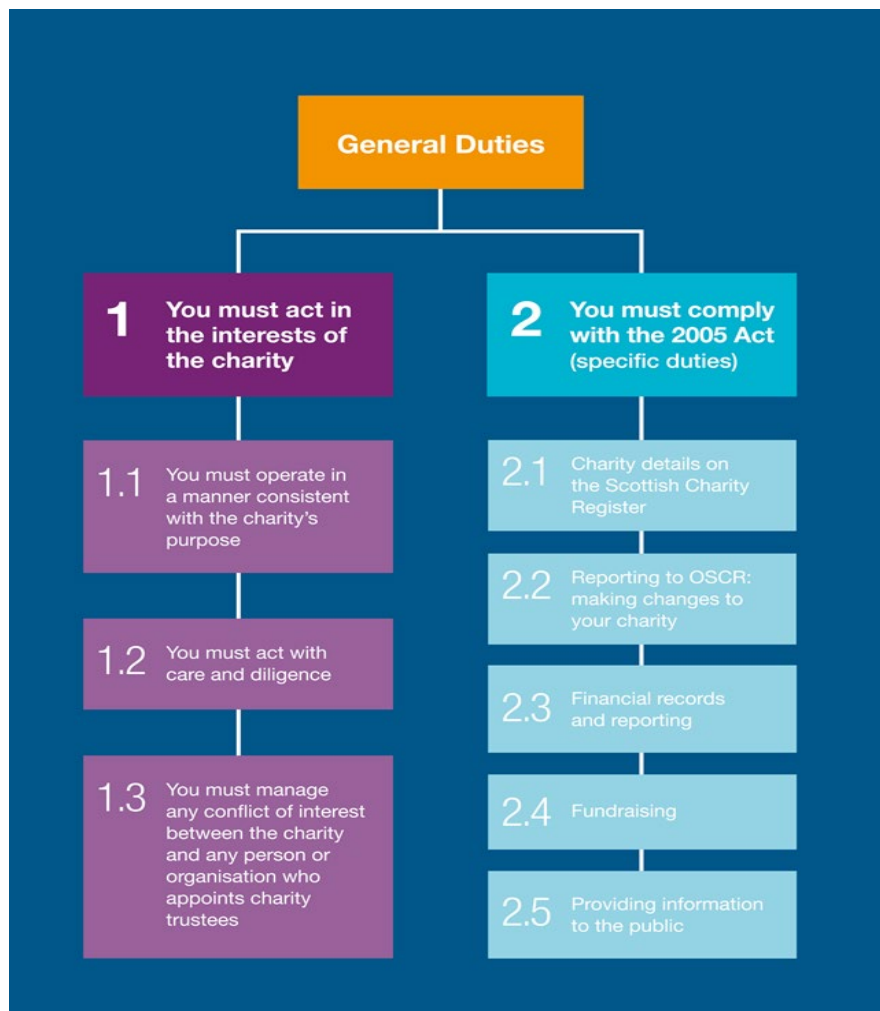
**2. ROLE OF MEMBERS, CODE OF CONDUCT AND DUTIES OF CHARITY TRUSTEES**

- 2.1 Members are reminded of their role as a governor (detailed below), the Court's Code of Conduct for Members (provided in your letter of appointment a condition of appointment) and, in particular, your duties as charity trustees under the Charities and Trustee Investment (Scotland) Act 2005. You should also be aware of the requirements of the Scottish Code of Good HE Governance <http://www.scottishuniversitygovernance.ac.uk/2023code/> and the Financial Memorandum with the Scottish Funding Council: [http://www.sfc.ac.uk/web/FILES/Guidance\\_Governance/Financial\\_Memorandum\\_wit\\_h\\_higher\\_education\\_institutions - 1 December 2014.pdf](http://www.sfc.ac.uk/web/FILES/Guidance_Governance/Financial_Memorandum_wit_h_higher_education_institutions_-_1_December_2014.pdf)

*Duties in Charities Law*

- 2.2 These are summarised below, but more detailed guidance on the duties of charity trustees OSCR is available here <https://www.oscr.org.uk/guidance-and-forms/guidance-and-good-practice-for-charity-trustees/> and in the Induction resources area in [Decision Time](#) All members are asked to regularly review their responsibilities as individual charity trustees in law.

- 2.3 All charity trustees have legal duties and responsibilities under the **2005 Act**. A duty is something that you must do, and all the duties must be met. These duties are separated out into **general duties**, that set out a broad framework that all charity trustees must work within, and **specific duties** detailed in the 2005 Act – OSCR note that you might delegate the practical details of the specific duties to your charity’s staff, volunteers or professional advisers, but that the charity trustees are ultimately responsible for making sure the specific duties are met. The general and specific duties apply equally to **all** charity trustees and to **all** charities. All of the charity’s trustees should work together to make sure that these duties are met. If you fail to comply with these duties then this is **misconduct** and OSCR have powers to take action against charity trustees, where appropriate. OSCR state that their response will be proportionate depending on the situation. Where a charity trustee has acted reasonably and honestly it is unlikely to be treated as misconduct.
- 2.4 As a charity trustee, the key duty is to look after the charity’s **assets** and for making sure that the charity fulfils its **charitable purpose(s) – the University’s purposes based on OSCR registration categorisations are:** the advancement of higher education, of health, of citizenship or community development, and the advancement of the arts, heritage, culture or science.
- 2.5 The general and specific duties under the 2005 Act are:



### **3. COURT'S AGREED ROLE DESCRIPTION FOR COURT MEMBERS**

3.1 In addition to the duties under law, the Court's agreed role description for governors, taking into account the requirements of the Scottish Code of Good HE Governance is:

Each governor is responsible, collectively with fellow governors, for the effective leadership of the University in all its aspects. That translates into more specific responsibilities of which the following are key:

- To play an appropriate part in furthering the values of higher education and the mission of the University of Aberdeen in particular;
- To ensure that the Court exercises efficient and effective use of the resources of the University, maintains its long-term financial viability, and safeguards its assets, and that proper mechanisms exist to ensure financial control and for the prevention of fraud;
- To exercise oversight in respect of the academic, corporate, financial, estate and human resource functions delegated to the authority of the Principal as chief executive;
- To ensure that Court conducts itself in accordance with accepted standards of behaviour in public life, embracing duty, selflessness, integrity, objectivity, accountability and stewardship, openness, honesty, leadership and respect. Members must at all times regulate their personal conduct as members of the Court in accordance with these standards;
- To establish constructive and supportive but challenging working relationships with the University employees with whom they come into contact, whilst recognising the proper separation between governance and executive management;
- To act fairly and impartially in the interests of the University as a whole using independent judgement and maintaining confidentiality as appropriate;

Ends

UNIVERSITY OF ABERDEEN

UNIVERSITY COURT

**MINUTES OF MEETING HELD ON 28 FEBRUARY 2024**

**Present:** Julie Ashworth  
Martin Barker  
Eleanor Bentley  
Susan Bodie to Minutes 174  
George Boyne  
Martina Chukwuma-Ezike (in the Chair for Minutes 126)  
Owen Cox  
Iain Grant  
Luke Halliday  
Vanessa Mabonso Nzolo  
Iain Mackay  
Gary McRae  
Helen Martin  
Lyndsay Menzies  
Caryn Miller  
Anne Minto  
Charlotte Pope-Williams  
Alison Rankin  
Joachim Schaper from Minutes 134  
Diane Skåtun  
Otto Thoresen via Teams to Minutes 153  
Robert Traynham via Teams for Minutes 142 onwards  
Adaku Ufere  
Neil Vargesson  
Sai Shraddha S Viswanathan  
Ilia Xypolia

**In attendance:** Iain Torrance KCVO  
Seonag Mackinnon to Minutes 158

Senior Management Team members:

Debbie Dyker to Minutes 158  
Karl Leydecker  
Tracey Slaven (as University Secretary & Chief Operating Officer)  
Mark White

**Clerk:** Bruce Purdon

**Apologies:** There were no apologies.



## WELCOME AND RECTOR'S REPORT

- 126 The Rector opened the meeting and reported on recent meetings she had undertaken with internal and external stakeholders. These included meetings where the future of modern languages at the University had been discussed and the Rector noted that some stakeholders had thought, incorrectly, that decisions to withdraw from modern languages provision completely had been reached. The Rector, therefore, highlighted the importance of ensuring there was clear communication with the University community and external stakeholders about the actual position.

## APPOINTMENT OF SENIOR INDEPENDENT MEMBER

- 127 The Senior Governor advised Court that while the period for responses on the appointment of the Senior Independent Member would close later that day, she had been informed that based on responses received Luke Halliday's appointment to the role had been approved. *Note by Clerk: This was subsequently confirmed and communicated to Court by circulation.*

## DECLARATIONS OF INTEREST AND REMINDER OF COURT AND MEMBER RESPONSIBILITIES

- 128 The Court noted the standing reminder of the responsibilities of Court and members as charity trustees (CT20240228\_2). Helen Martin noted an interest in Minute 157 in so far as it referred to strike action by Aberdeen University and College Union.

## MINUTES

- 129 The minutes of the meeting held on 12 December 2023 were received (CT20240228\_3). In discussion, corrections to the attendance record were noted and a proposed addition to Minute 124, by the member concerned, was agreed.
- 130 It was also agreed to clarify, out-with the meeting, whether a point raised regarding income growth targets had been recorded. *Note by Clerk: It was subsequently confirmed with the member who had raised the matter at the 12 December 2023 meeting, that the point had been appropriately recorded in Minute 113.*
- 131 Subject to the changes above being made, the Court approved the minutes.

## ACTION LOG AND MATTERS ARISING

- 132 The Court received and noted a report on the updated Court Action Log (CT20240228\_4). It was noted that further to the discussion around Health and Safety reporting to Court at the last meeting, following further consideration with the Audit and Risk Committee, a template for that was in preparation. In relation to another point in the Action Log, it was noted that the Senior Governor had raised with the Scottish Funding Council (SFC), Court's earlier comments

regarding whether the Outcome Agreement could be prepared every three years rather than annually.

#### REPORT FROM THE SENIOR GOVERNOR

- 133 The Senior Governor provided a report to Court on meetings and activities she had undertaken since the last meeting (CT20240228\_5). In discussion, it was suggested that Court would find it helpful going forward for the report to include the names of Government Ministers that the Senior Governor had held meetings with.

#### REPORT FROM THE PRINCIPAL AND UPDATE ON HE SECTOR/OPERATING CONTEXT

- 134 The Court received a written report (CT20240228\_6) on developments within the University and in the wider higher education sector, which the Principal supplemented with an oral report.

- 135 In discussion, the following key points were noted:

- The REF exercise would be delayed for at least a year and a pilot exercise on some aspects of the new process would be conducted. The University had expressed an interest in being one of these pilot institutions.
- The financial position of the sector generally in the UK continued to be a cause for concern and was the focus of growing media attention. The Principal noted that a forthcoming analysis by PwC UK was to forecast that nearly all Scottish universities would be in deficit by 2025/26. Anticipating the Court's later discussion around financial recovery, the Principal reminded Court of the progress that the University had made in recent years in areas such as student satisfaction and league table rankings, and that financial sustainability was not an end in itself but a key condition for ensuring that performance could continue.
- The Court discussed the extent to which there was a political recognition of the challenges facing higher education and whether a change in UK Government might benefit the sector. The Principal noted that in that scenario, while it could lead to some positive changes for the sector, he did not anticipate these taking effect for some years into the life of a new Government.

#### ANNUAL ACCOUNTS/AUDIT PROCESS AND REFINANCING/COVENANTS

- 136 The Court received a paper which provided an update on the steps required to conclude the approval of the annual report/accounts, including the status of covenant and debt renegotiations and sought approval to form a sub-group of Court to approve the detailed terms of refinancing and covenant amendments (CT20240228\_7).

- 137 The paper included for information draft minutes and resolutions of Court which the University's lawyers had prepared and which would be required by the Bank

Lender and the Private Placement Lenders before agreement Could formally be reached. The sub-group of Court would be asked to approve these.

- 138 The Court noted that the stages required to progress approval of the Annual Report and Accounts. These were that once the refinancing/covenant amendments were finalised with the lenders, Court would be required to formally approve the changes. That approval was, however, required prior to the external auditors completing their work and to allow the Audit & Risk Committee to recommend that the accounts be approved by Court. As a result, approval of the borrowing amendments was required prior to the full Court meeting at which the accounts were approved. The University's legal advisors for the renegotiation of borrowing had recommended that a sub-group of Court with technical financial skills be formed to sign off the refinancing and covenant amendments. That was, however, subject to the Court approving the Financial Recovery Plan before it on today's agenda, part of which was for Court to approve the approach to renegotiation of borrowing and use Bond cash to repay a £30m loan.
- 139 The proposed composition of the sub-group was:
- Senior Governor/Chair of Governance & Nominations Committee
  - Chair of Financing & Resourcing Committee
  - Chair of Audit & Risk Committee
  - Chair of Remuneration Committee
  - Chair of Investment Committee
  - Independent Member of Court (G McRae)
- 140 In discussion, it was noted that most Universities in Scotland had published their audited accounts for the 2022/23 financial year. The University's accounts had been delayed due to external audit requiring assurance around going concern and potential for breach of covenant in the next year should the University not agree a financial recovery plan. The position of other Universities in this regard depended on the level of debt and terms of any covenants related to that.
- 141 Following discussion the Court:
- Noted the current position on refinancing/covenant amendment;
  - Approved the formation of the sub-group, with authority from Court, to approve the refinancing/covenant amendment package;
  - Noted that an additional Court would be held to approve the 2022/23 Annual Report in March.

## FINANCIAL RECOVERY PLAN

- 142 The Court received an updated version of the Financial Recovery Plan which had been updated since it had last been considered by Court in December 2024 (CT20240228\_8).
- 143 The Court noted that the Plan took into account the outcome of January's new student registrations and, outlined a framework to achieve targets for a deficit of £12 million this academic year, £6million next year, and break-even or a

deficit of no more than £3million in 2025/26. These outcomes, which were detailed in the paper, would be achieved through:

- Revenue growth through higher income from TNE, online programmes, academic commercialisation and fundraising.
- Reduction of £7.7 million in operating costs below the level that would otherwise occur in 2024/25.
- Reduction in staff costs of £12 million below the level that would otherwise occur in 2024/25, mainly through early retirement, voluntary severance and the continuation of the recruitment freeze.
- The Reshaping of Professional Services, as the University looks to support income generation, may also offer potential for further savings to achieve the right fit with our strategic objectives.
- Negotiations with lenders to reduce the University's borrowing and revise the associated covenants.

144



145 The Court also received oral reports on the consideration of the Plan at meetings in the preceding days by the Finance and Resourcing Committee and Audit and Risk Committee both of which had endorsed the Plan. The Chair of the Audit and Risk Committee reported that it had also noted the extent of the challenge and risks in terms of delivery of the Plan, in particular achieving income growth while at the same time reducing costs. The Committee had, therefore, requested that Court should receive at its next meeting a timeline on the next steps in the Plan and trigger points that would require the Plan to be revisited.

146 The Court noted that the Plan recognised the need to protect strategic strengths, including in education, student support, research and other key areas of activity. The Court was also assured that the University was doing everything possible to avoid compulsory redundancies through the Enhanced Retirement/Voluntary Severance Scheme, staff recruitment freeze, operational savings and targeted income generation. While the Plan had to be prudent in its income growth projections given the very difficult financial environment for UK universities due to the decline in international students, compounded by reductions in funding from the Scottish Government, the Court was assured that the University would aim to exceed those projections. The University had to, however, recognise that new revenue streams were

unlikely in the short term to offset the loss of those two core income streams and ultimately there was an obligation on Court to ensure there was a financially sustainable position, without which the University's core functions of education and research would not be possible.

147 From further discussion, the following key points were noted:

- The basis for the underpinning assumptions in the Plan were tested, including the key areas of income generation – student recruitment, research, academic and professional services commercialisation, philanthropy and sale of assets. It was noted that as one of the key sources of income, a worst-case scenario of a further reduction on current year forecast of 15% (FTEs) in International PGT in 2024/25 had been assumed, with 0% growth from that level in 2025/26. A commitment was given to update Court on what might be achievable in terms of 'stretch targets' around income growth without removing the necessary prudent approach of the Plan that the University's financial position and covenant commitments required.
- The Court noted that philanthropic income was part of the Plan but was also reminded donations were often tied to specific purposes. While efforts were being made to grow the general endowment there was a limit to the extent that fundraising could relieve pressure on core budgets.
- The Court was assured that applications for early retirement/voluntary severance were carefully scrutinised for their impacts on strategic priorities, income generation and workload and that in some cases applications would be refused. The Court was also assured that the risks to remaining staff and operations in both Professional Services, where at present the majority of interest in voluntary severance/early retirement had been received, and in Schools were recognised.
- The accuracy of the reference in the paper (para 16.1) to four Schools having being identified in the June 2023 Court approved budget as being required to make structural savings was queried and it was agreed this would be checked. *Note by Clerk: Post-meeting, it was confirmed that three schools were identified in the June Court papers as needing to make structural savings but that savings were assumed across all schools. The reference to a fourth school (para 16.1) reflected awareness in June 2023 of the relative size of the school, and therefore the material level savings expected, but the school had not been named in the paper as there was not a structural deficit.*
- The potential need for some Schools to consider academic structures and for Professional Services to reshape service delivery, as intimated in the paper, was discussed. Initial discussions with relevant Schools had begun. It was clarified that measures such as outsourcing of some Professional Services might form part of an options appraisal around future shape of that part of the University, but so would a number of others such as shared services, in-house provision and combinations of these.
- Clarification was sought on the respective roles of Court and Senate with regard to academic structures and this was discussed in some detail. A request from a member for legal advice on this point was noted, however, the Court was reminded that all Resolution processes, including that to

change the academic structure of Schools, requires consultation with Senate and the General Council. The final approval of a Resolution, following consultation, is a responsibility of Court. A process in relation to academic structures is one, however, where Court would receive a recommendation from Senate and it was recognised that the academic perspective was one the Court needed to understand.

- The Court discussed and welcomed the revised student recruitment strategy to support the Plan and respond to the changing nature of demand both at home and overseas. The Court also discussed the ambition to build on improvements in widening access to education but noted the challenge posed to this by limited available resources, in addition to those posed by the University's distance from the central belt of Scotland and regional demographics in the relevant applicant pool.
- The success of the Trans-National Education (TNE) partnership with South China Normal University was noted as encouraging for the potential to further diversify income growth while also noting the importance of due diligence around choice of partners. It was also acknowledged that expansion of TNE required the appropriate level of resource for successful delivery.
- Members were updated on progress with recovering major student debtors, including overseas partners and sponsor governments. The Court was assured that while payment was in some cases slow, it was ultimately received and there were measures to help ensure this which were generally effective.
- It was noted that the extent to which the current University Estate was affordable and necessary with the increase in home working, was very much under review and that the re-imagining campuses project was intended to address this.

### *Debt and Covenants*

- 148 The Court noted the proposed approach to restructuring the University's debt and to negotiation of revised covenants, primarily related to a £30m loan and a £60m Bond.
- 149 The paper reminded Court that the restructuring/renegotiation was necessary due to the financial projection for 2023/24, as a consequence of which the University would breach related covenants. As timing and pace had been a major requirement to ensure the accounts were signed by the appropriate deadline, it had prevented any market testing or wider engagement with new lenders. In addition, the established relationship between the £30m lender and the private placement lenders was deemed to be a major advantage in the negotiation process. As such the University had explored options with the current £30m lender only.
- 150 Due to the advantageous existing interest rates across all the University's debt, an increase in the interest rates would be likely, and on such a large cash balance, would be uneconomical and hinder the Financial Recovery Plan. The preferred option was, therefore, for the University to repay the £30m loan, using Bond cash, and replace it with a £30m revolving credit facility (RCF). The paper outlined the main terms of the formal offer for this

arrangement, including that the RCF interest rate would marginally increase but that there would be a potential £1.5m breakage gain to the University.

151 In discussion, Court was reminded that the Bond had originally been agreed as a means to income generation via specific new capital projects. It was important, therefore, that the Court recognised that the Bond would need to be repaid in years to come and the implications of using a significant proportion of it to repay other borrowing. The University's overall resulting net debt position would as a result, therefore, be less robust until such time as the financial position was addressed.

152 Following discussion, the Court:

- Approved the Plan's income assumptions including the expected scenario for International Postgraduate Taught (PGT) income.
- Endorsed the actions proposed to address the financial gap, particularly the phased approach to reshaping the cost base, and the need for flexibility depending on progress.
- Approved the resultant deficit budget profile over the three years covered by the Plan.
- Approved the proposition to restructure debt and the position on negotiating revised covenants.
- Noted that it would continue to monitor progress against the Plan, including a further report at its next meeting.

## SENATE REPORT

153 The Court received a report on the main items of business considered by Senate at its meeting on 14 February 2024, (CT20240228\_10.1). In discussion, among the items from the report that were highlighted were Senate's consideration of admissions entry tariffs and its approval, by circulation, of graduations returning to a venue on the Old Aberdeen campus.

## FUTURE OF MODERN LANGAUGES

154 The Court received a report on the outcome of the consultation regarding the future provision of Modern Languages education in the University (CT20240228\_9). The paper summarised proposals that had been put forward by staff in Modern Languages (the Standing Group) in response to the consultation and informed by that response, the consultation Steering Group's resulting proposals on next steps. The Court was also provided with access to the Standing Group's consultation response (and a later addendum to this) and the report of a working group on data relating to staff and student numbers and REF performance.

155 The Court noted that the Consultation Response from staff in Modern Languages was considered by the Steering Group to represent a set of plans for income growth which, while they would take some time to come fully to fruition, offered a realistic prospect of an academically and financially sustainable future, when coupled with rationalisation of the curriculum and a fall in staffing costs. The paper, therefore, proposed that:

- 1) Court should reaffirm that the University will continue to offer educational provision in Modern Languages, including Joint Honours degrees, and also Postgraduate Taught (PGT) and Postgraduate Research (PGR) degree programmes.
- 2) Research in Modern Languages should continue to be supported through continuing to employ a mixture of Teaching & Research and Teaching & Scholarship staff in Modern Languages.
- 3) Subject to these recommendations being approved, an Implementation Group would be established to take forward the actions proposed to ensure that Modern Languages is both academically and financially sustainable into the future.

156 In introducing the paper, the Senior Vice-Principal noted that the Steering Group's recommendations to Court had been shared with the Standing Group and in most respects they were endorsed by it. The Standing Group had, however, the view that there should be no reduction in staff costs and while the Steering Group would also prefer this, it had to recognise the financial challenge the University faced and the need to reduce costs across all Schools and Directorates.

157 In an extended discussion of the paper, the following key points were noted:

- The Court recorded its considerable appreciation for the response of the Standing Group, noting the significant work that staff in Modern Languages had undertaken, under very difficult circumstances, to produce a strong set of proposals on how to strengthen undergraduate recruitment, open up new income streams and streamline provision.
- It was noted that some members of Court had received representations from members of the student community regarding the withdrawal of single honours in Modern Languages and they were assured that the University would reply to all of those who had taken the time to correspond on the matter.
- It was also noted that there had been a debate in the Scottish Parliament on the future of Modern Languages at Aberdeen and that the Scottish Government Minister with responsibility for Higher Education had written to the University to seek assurances on some points, and that these had been responded to.
- The Court was assured that there would be student representation on the Implementation Group and that it would be as transparent as possible regarding its work. It was acknowledged that the operation of that Group could make a significant contribution towards improving trust with relevant sections of the student and staff communities and that this would be key to achieving a successful future for Modern Languages. It was suggested that research should be represented in the work of the Group. This was welcomed and it was confirmed that an appropriate representative from the institutional perspective of research would be invited to join the Group.
- The Court noted that expressions of interest in voluntary severance from staff in Modern Languages and the wider School were above the level of the School's saving target. The Court also noted that staff in Gaelic had recently been notified that they were no longer at risk of redundancy. The



Court then discussed whether it would, therefore, be possible to now remove the risk of redundancy from staff in Modern Languages, noting also the imminent strike action called by Aberdeen University and College Union and the importance of staff to delivering a sustainable future for the academic area. It was noted that once expressions of interest were confirmed as translating to approved applications, and there was certainty that the required level of savings could be made, the Executive would be able to remove the risk of redundancy from staff in Modern Languages. A number of members of Court noted that until that was confirmed, it would be premature and a risk to Court fulfilling its duty to ensure the financial sustainability of the wider University, to instruct management to remove the risk of redundancy. *Note by Clerk: The risk of redundancy was removed on 7 March 2024.*

- It was confirmed that the University was acting in compliance with the Fair Work Principle but that this was separate to the processes of early retirement and of notifying staff at risk of redundancy
- It was confirmed that the Court had been provided with an addendum to the Standing Group's consultation response, which had not been received in time to be considered by the Steering Group, and that this included a concern around the governance of the process and a request to discuss this further with Court. The Court noted this as part of its consideration of the overall proposals from the Steering Group which were before it.
- While welcoming the proposed way forward for Modern Languages and how that had been developed collaboratively with staff over recent weeks, and also acknowledging that these were very challenging issues to manage, the Court noted that the process had given rise to significant negative reputational impact. Given the further financial challenges facing the University, which might require similar discussions in other areas, it was suggested that the Senior Management Team should undertake a review to identify any lessons learned from the recent process, and its initiation, and this was endorsed by Court. A member of Court suggested that Court should also similarly reflect on its role in the process and there followed a discussion around the respective roles and boundaries of Court and Senior Management responsibility in this particular context. The Court also discussed the extent to which it had fully understood the next steps arising from the information it received at its Strategy meeting in September 2023.

158 The Court, after the above discussion, agreed:

- 1) To reaffirm that the University will continue to offer educational provision in Modern Languages, including Joint Honours degrees, and also Postgraduate Taught (PGT) and Postgraduate Research (PGR) degree programmes.
- 2) That research in Modern Languages should continue to be supported through continuing to employ a mixture of Teaching & Research and Teaching & Scholarship staff in Modern Languages.
- 3) Subject to these recommendations being approved, that an Implementation Group, including student representation, be established to take forward the actions proposed to ensure that Modern Languages is both academically and financially sustainable into the future.

## REPORTS FROM COURT SUB-COMMITTEES

### PARTNERSHIP NEGOTIATING AND CONSULTATIVE COMMITTEE

- 159 The Court received a report on the business considered by the Committee at its last meeting on 31 January 2024 (CT20240228\_10.2). The report had been included for discussion rather than just information due to it including the Gender Pay Gap Report 2023 and proposals for the harmonisation of terms and conditions of employment which had been approved by the Committee.
- 160 In discussion, in response to a question, the Senior Governor explained the consideration that had been undertaken prior to the Principal accepting the role of Chair of the University and College Employers Association (UCEA) and that it had been confirmed they had the time capacity required.
- 161 The Court also discussed, in relation to the harmonisation of terms and conditions, where the University was relative to other higher education institutions in terms of its offer to staff.
- 162 The Court noted the Gender Pay Gap Report 2023. It was noted that it would be helpful in future reports to have examples of the differences in roles across the various staff grades.

### GOVERNANCE AND NOMINATIONS COMMITTEE

- 163 The Court received and noted a report on the main items of business discussed at the meeting of the Committee of 5 February 2024 (CT20240228\_10.3). A concern was raised by a member of Court that the Committee's consideration of the reappointment of the Senior Governor had not been included in the report. In response it was confirmed that, as had been communicated to members of Court by circulation, the meeting had been in two parts. The first part of the meeting was the subject of the report before Court. The second part had been to consider the reappointment of the Senior Governor and this would be discussed at further meeting of Court to be held as soon as possible.
- 164 The Court discussed the Committee's recommendations for the recruitment of independent members, including for a Chair for the Remuneration Committee. The recruitment was required to appoint to four vacancies for Independent Members arising by August 2024, with the Senior Governor due to hold discussions with a further three members who were concluding their current periods of appointment in 2024 and a further two members who would conclude their current appointments in 2025. This would be reported back to the Committee at its next meeting in June.
- 165 The Court noted that the Committee's recommendations had been informed by reports on the findings of the Court's annual audit of members' skills and experience and on how the Court's diversity profiled compared to that of the University staff and student communities. With regard to skills/experience, the Committee recommended the following areas as being priorities for the recruitment process:

- Finance, given the current challenges facing the University and retirement of members with these skills/experience. The need for an individual with a professional accountancy qualification to help ensure that Audit and Risk Committee maintained such a skill set should also be prioritised;
  - People and Culture at a senior executive level and in Remuneration issues;
  - Senior FTSE/International Management experience;
  - Corporate or Sector Turnaround/Transformation (at a senior level).
- 166 The Committee also noted the following as secondary areas of priority emerging from the skills mapping:
- Digitisation and Emerging Technology;
  - Sustainability;
  - HR, Media and Communications;
  - Legal.
- 167 The Court discussed the issue of the diversity of Court and the extent to which the Committee had considered this to be a priority for the recruitment process. Some members expressed strong concern that the report's commentary regarding how the Court compared to University and sector diversity benchmarks meant that enhancing the Court's diversity was not seen as a priority. It was further noted that this would not be consistent with the feedback regarding the 2023 recruitment process that had been noted by members of the Committee at that time. It was acknowledged that the change in membership of the Committee for 2023-24 had meant this corporate memory had not been available to the Committee in its discussion of the forthcoming process.
- 168 The Court was assured that the commentary reflected formal review against the comparator data and that the terminology of comparing well was a relative one against those benchmarks. Performing well against sector benchmarks did not however imply complacency and the University remained committed to enhancing diversity at all levels, including Court. This point would be recorded in the minutes of the Court meeting as a clarification to the wording used in the Committee's report.
- 169 The Court then discussed wider issues of diversity and inclusion in terms of its operations. A member noted their concern that examples of racism in the University community remained far too prevalent particularly for students and that the issue needed to be discussed more regularly by Court. Another member described their experience as a Court member, and the challenges to inclusion posed by the large proportion of members who were directly connected to the University. It was agreed that a session for Court members to discuss in greater depth issues of equality, diversity and inclusion would be helpful to arrange.
- 170 The Court noted that the Committee had agreed that rather than use recruitment consultants, the recruitment should be run 'in-house', particularly given the current pressure on budgets. It was also agreed that if the field of

applicants was not considered to be sufficient, the option of engaging consultants could be revisited.

- 171 The Court also noted that the Committee had approved the establishment of an Appointment Panel with delegated authority from the Committee to make recommendations for appointment to Court. The composition of the panel, to be drawn from the Committee's membership, was agreed as:
- Senior Governor (Chair) – Julie Ashworth
  - A staff member of Court – Iain Grant
  - A further independent member of Court – Alison Rankin
  - A Students' Association nominated member of Court – Sai SS Viswanathan
- 172 Following discussion, the Court agreed to:
1. Approve the Committee's recommendations for the areas of skills/experience to be prioritised in the recruitment of independent members of Court to succeed members retiring in August 2024 and for any potential future vacancies in 2025.
  2. Approve that recruitment of a new Chair of Remuneration Committee be undertaken directly as part of the wider recruitment of independent members.

#### PENSIONS ADVISORY GROUP

- 173 The Court received and noted a report on the main items of business discussed at the meeting of the Pensions Advisory Group on 9 January 2024 (CT20240228\_10.4).
- 174 The Court endorse that the Senior Governor should write on behalf of the University to UCEA regarding the timeline for the conclusion of the Universities Superannuation Scheme's governance reform workstream.

#### AUDIT AND RISK COMMITTEE

- 175 The Court received and noted a report on the business considered by the Audit and Risk Committee at its meeting of 30 January 2024 (CT20240228\_10.5). Arising from the report, there was a brief discussion around cyber security risk and the measures the University had in place to mitigate against this. It was noted that one of the key risks was through individuals, which was why the Committee continued to monitor the completion rates of staff training in this area.

#### COMMERCIALISATION COMMITTEE

- 176 The Court received and noted a report on the business considered by the Commercialisation Committee at its last meeting on 7 February 2024 (CT20240228\_10.6). In discussion, it was noted that Gary McRae would act as Interim Chair of the Committee. The Court was also advised that investment

in staff to support progress in the area of commercialisation was needed and this had been provided for as part of the Financial Recovery Plan.

#### FINANCE AND RESOURCING COMMITTEE

- 177 The Court received and noted report on the business considered by the Finance and Resourcing Committee at its meeting of 6 February 2024 (CT20240228\_10.7). As part of the report, the Court noted in particular that, following approval by Governance and Nominations Committee, Duncan Fraser had been appointed as an external member of the Committee from 1 February 2024.
- 178 The Court discussed the Committee's consideration of the future partnership arrangements for the Aberdeen Sports Village (ASV). It was noted that the City Council had in its budget consultation referred to reviewing the funding for ASV but the Court was advised that the University understood that no immediate change to the current Joint Venture framework arrangements was now expected.

#### AOCB

#### *Report from Remuneration Committee*

- 179 The Court noted that there had been a meeting of the Committee but there had been a delay in the finalisation of the report to Court of that meeting. This would be shared with Court by circulation as soon as possible.

#### DATE OF NEXT MEETING

- 180 Wednesday, 24 April 2024, 9am to 3pm. *[This was subsequently extended to 3.30pm]*

**Note by Clerk:** *Members of Court, with the Secretary present, then held a short self-reflection discussion to consider the effectiveness of the meeting.*

## UNIVERSITY OF ABERDEEN

## UNIVERSITY COURT

**ACTION LOG AND MATTERS ARISING****1. PURPOSE OF THE PAPER**

1.1 This paper provides Court with a copy for information of the current Court Action Log (**Appendix 1**).

1.2 The paper also formally records, as members were advised by circulation, the appointment of a number of external members of Court sub-committees, that following a recruitment exercise and interview were approved by the Governance and Nominations Committee. The appointments are:

- Abdul Elghedafi and Stuart Porteous – new external members of the Audit & Risk Committee
- Gavin Steel and George Yule – new external members of the Commercialisation Committee
- Sandy Batho and James Dunphy – new external members of the Governance & Nominations Committee
- Sandy Batho – new external member of the Remuneration Committee

**2. PREVIOUS CONSIDERATION BY / FURTHER APPROVAL REQUIRED**

	<b>Board/Committee</b>	<b>Date</b>
Previously considered or approved by	n/a	
Further consideration/approval required by	n/a	n/a

**3. RECOMMENDED ACTION**

3.1 The Court is invited to:

- (i) Note the action log (Appendix 1).
- (ii) Note the appointment of external members of Court sub-committees.

**4. FURTHER INFORMATION**

4.1 Further information is available from Bruce Purdon, Clerk to the Court, email [b.purdon@abdn.ac.uk](mailto:b.purdon@abdn.ac.uk).

15 April 2024

**Confidentiality Status:** Open

**UNIVERSITY COURT: LOG OF FOLLOW UP ACTIONS FROM COURT MEETINGS****Appendix 1**

<b>Court Date</b>	<b>Minute Ref</b>	<b>Action Arising</b>	<b>Action By:-</b>	<b>Status</b>
Apr 2023	173	<p><b>GOVERNANCE AND NOMINATIONS COMMITTEE REPORT</b></p> <p>The Court was also advised that there was a vacancy for an independent member of Court on the Advisory Group on Collections Deaccessioning and Repatriation and that an update to the policy governing that procedure would be taken to a future Court or by circulation for approval.</p>	University Secretary	<b>Pending</b> – revised policy is in final stages of development
Jun 2023	206	<p><b>BUDGETS 2023/24 TO 2025/26</b></p> <p>The Court agreed:</p> <p>(ii) That given the risks discussed above, the Court should receive regular updates on progress against the plan, particularly with regard to the ambitious student recruitment targets and that it should receive further detail on a contingency plan should those targets not be achieved.</p>	Chief Financial Officer	<b>Ongoing</b>

Nov 2023	054	<p><b>UPDATE ON RESEARCH STRATEGY AND RESEARCH EXCELLENCE FRAMEWORK</b></p> <p>The Court agreed that once the revised rules for REF 2028 were confirmed, that it should receive a further report on the REF Action Plan which outlined how the University was deploying resource for investment in research strength and an assessment of whether the University was on track to achieve its objectives for improvement in research performance.</p>	VP Research	<b>Pending – to be scheduled for a future meeting</b>
Nov 2023	083	<p><b>ANNUAL REPORT AND ACCOUNTS FOR THE YEAR END 31 JULY 2023 AND EXTERNAL AUDITOR’S REPORT</b></p> <p>The Court noted that the External Auditors were unable to issue a final audit opinion, in particular with regard to the going concern analysis/assurance, until the outcome of the University’s January 2024 student intake was confirmed. As a result, the reports were provided to Court for information and would be brought back for formal approval by Court once the External Auditor’s had concluded that future review.</p>	Chief Financial Officer	<b>Complete - Included on Today’s Agenda</b>
Nov 2023	096	<p><b>COMMERCIALISATION COMMITTEE</b></p> <p>The Committee Chair also reported that the Committee would welcome an opportunity to discuss with Court in greater depth the work of the Committee. This was noted for inclusion on a future Court agenda.</p>	Clerk	<b>Pending</b>



Nov 2023	099	<p><b>ANNUAL REPORT ON HEALTH AND SAFETY</b></p> <p>The Court received the annual Health and Safety Report for 2022-23 (CT20231121-12.5). Following discussion, it was agreed that the Court should receive more frequent reports on health and safety to provide it with further assurance and monitoring given its legal responsibilities as the employer. It was also suggested that reports should provide further detail on reportable incidents to help identify any common trends and benchmarking where relevant against wider sector data.</p>	University Secretary	<p><b>Pending</b> – as reported to Court in February 2024 further reporting template and approach has recently been considered by Audit and Risk Committee who have requested further iteration of this.</p>
Feb 2024	141	<p><b>ANNUAL ACCOUNTS/AUDIT PROCESS AND REFINANCING COVENANTS</b></p> <p>[The Court] Noted that an additional Court would be held to approve the 2022/23 Annual Report in March.</p>	Chief Financial Officer/ University Secretary	<p><b>Complete</b> – an additional Court was arranged for 26 March but due to discussions with lenders on the refinancing and external audit not being resolved, the meeting was cancelled and those items are on today's agenda, a further extension having been given by SFC.</p>
Feb 2024	144	<p><b>FINANCIAL RECOVERY PLAN</b></p> <p>The paper referenced examples of further steps that, if required, could be taken to reduce staff costs should the steps already in progress not deliver the required savings. Court would be provided with an update on progress at its next meeting including if any further cost saving steps of this type were considered necessary.</p>	Chief Financial Officer	<p><b>Complete</b> – Update paper on today's agenda (24 April)</p>

	145	The Committee had, therefore, requested that Court should receive at its next meeting a timeline on the next steps in the Plan and trigger points that would require the Plan to be revisited.		
	147	A commitment was given to update Court on what might be achievable in terms of 'stretch targets' around income growth without removing the necessary prudent approach of the Plan that the University's financial position and covenant commitments required.		
Feb 2024	157	<b>FUTURE OF MODERN LANGUAGES</b> The Court noted that the process had given rise to significant negative reputational impact. Given the further financial challenges facing the University, which might require similar discussions in other areas, it was suggested that the Senior Management Team should undertake a review to identify any lessons learned from the recent process, and its initiation, and this was endorsed by Court.	Director of People	<b>Pending</b>
Feb 2024	169	<b>GOVERNANCE AND NOMINATIONS COMMITTEE: RECRUITMENT OF INDEPENDENT MEMBERS</b> It was agreed that a session for Court members to discuss in greater depth issues of equality, diversity and inclusion would be helpful to arrange.	University Secretary	<b>Pending</b>

Feb 2024	179	<b>Report from Remuneration Committee</b> The Court noted that there had been a meeting of the Committee but there had been a delay in the finalisation of the report to Court of that meeting. This would be shared with Court by circulation as soon as possible.	Head of Governance & Executive Support	<b>Complete</b>
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## UNIVERSITY OF ABERDEEN

## UNIVERSITY COURT

**REPORT FROM THE SENIOR GOVERNOR****1. PURPOSE OF THE PAPER**

- 1.1 This paper provides Court with a report from the Senior Governor on activities undertaken since the last meeting of Court.

**2. RECOMMENDED ACTION**

- 2.1 The paper is for **information** and no action is required.

**3. REPORT FROM SENIOR GOVERNOR**

- 3.1 Last month, I was in Singapore on personal business but was pleased that it coincided with an event the University was holding with local alumni to celebrate and promote regular giving. It was wonderful to meet with alumni and, in particular, to hear their stories of their time here and the impact the University has had in their lives and careers. I was struck by the fact that despite their being on the other side of the world, how strong that bond with Aberdeen is and how much goodwill there is to help us succeed going forward.
- 3.2 The Senate is, of course, a key part of our governance structure and one which we all on Court need to have cognisance of. In that context, during what has been a challenging period for the University, I've found it helpful to observe the last two Senate meetings and to hear directly a range of perspectives from representatives of the academic community.
- 3.3 Another pillar of the University's governance structure is the General Council and I joined its most recent statutory meeting in March. I have also met separately with the Chair of the General Council's Business Committee where I was able to discuss with him a range of issues of interest to the alumni community which, of course, the General Council represents.
- 3.4 Internally, I've also held my usual regular round of meetings with members and the Principal, the Pro-Chancellor and the University Secretary & Chief Operating Officer. I've also been meeting with a range of potential networks to help promote our current recruitment of Court members. I would encourage all members to help us as we seek to attract a diverse field of applicants by promoting the vacancies through any of your networks that you think might be helpful.
- 3.5 Externally, I have been involved in meetings with a number Ministers and MSPs where higher education has been discussed including the First Minister, the Cabinet Secretary for Wellbeing Economy, Net Zero and Energy, the Minister for Higher and

Further Education, Anas Sarwar, Richard Lochhead, Michelle Thompson and Michael Marra. In terms of engagement with the region that the University serves, I have had meetings with Sir Ian Wood, who Chairs Opportunity North East and Angela Scott the Chief Executive of the City Council.

- 3.6 In my last report, I looked ahead to the latest meeting of Committee of Scottish Chairs (CSC) and I will report further at the meeting of Court on the discussion that took place there with the Chair of the Colleges/Further Education equivalent of CSC, with the Chair of the Scottish Funding Council, and with Universities Scotland. Separately I've attended meetings with the Chairs of Edinburgh, St Andrews, Heriot Watt, Napier and the Royal Conservatoire. Looking ahead from this report, I will represent the Court at an event in May that the University of Strathclyde is holding to celebrate its Diamond Jubilee.

#### **4. FURTHER INFORMATION**

- 4.1 Further information is available from the Senior Governor, [julie.ashworth@abdn.ac.uk](mailto:julie.ashworth@abdn.ac.uk).

15 April 2024

**Confidentiality Status:** Open

## UNIVERSITY OF ABERDEEN

## UNIVERSITY COURT

**FINANCING (COVENANT & DEBT) REPORT – YEAR ENDED 31 JULY 2023****1. PURPOSE OF THE PAPER**

1.1. This paper outlines the University's long-term financing and assesses compliance with both internal and external covenants.

**2. PREVIOUS CONSIDERATION BY /FURTHER APPROVAL REQUIRED**

	<b>Board/Committee</b>	<b>Date</b>
Previously considered and approved by	ARC FRC Court	2 November 2023 7 November 2023 21 November 2023
Further consideration/ approval required by	ARC FRC Court	22 April 2024 22 April 2024 24 April 2024

**3. RECOMMENDED ACTION**

3.1. The Court is invited to:

- Note that the University has met both the internal and external debt service and gearing financial covenant tests for the financial year to 31 July 2023.
- Note that due to the financial covenants being met for 2022/23 no further action is required but that the 2023/24 and beyond position is discussed elsewhere on the agenda.

**4. BACKGROUND****4.1. BORROWING AND REPORTING REQUIREMENTS**

4.1.1. At its meeting on 26 January 2019 Court approved that the University could borrow £60m by way of a private placement. Court instructed that the Financial Regulations be updated to include debt service and gearing tests and that an annual financing report be prepared.

4.1.2. On 13 February 2019, the private placement transaction was concluded as follows:

<b>Investor</b>	<b>£</b>	<b>Maturity</b>	<b>Rate</b>
LGIM	20m	May 2044	3.05%
Macquarie	20m	May 2049	3.13%
LGIM	20m	May 2054	3.19%

4.1.3. The private placement borrowing was in addition to the £40m loan facility with Barclays and finance leases for student accommodation and IT equipment as follows:

<b>Drawdown</b>	<b>£</b>	<b>Maturity</b>	<b>Rate</b>
Tranche 1 - April 2007	4.6m	Sept 2031	5.415%
Tranche 2 - Sept 2012	15.0m	Sept 2036	3.000%
Tranche 3 - July 2014	10.0m	Sept 2036	3.072%
Tranche 4 - April 2015	10.4m	Sept 2036	3.195%

4.1.4. The first £10m instalment was repaid in September 2021 as planned with further repayments due as follows:

	<b>Sept 2026</b>	<b>Sept 2031</b>	<b>Sept 2036</b>
	<b>£</b>	<b>£</b>	<b>£</b>
Tranche 1	1.15m	2.30m	-
Tranche 2	3.75m	3.75m	3.75m
Tranche 3	2.50m	2.50m	2.50m
Tranche 4	2.60m	2.60m	2.60m
<b>Total</b>	<b>10.00m</b>	<b>11.15m</b>	<b>8.85m</b>

4.1.5. During financial year 2019/20 the University secured a £4m financial transactions loan from the Scottish Funding Council (SFC) for the upgrade of the heating system at our student accommodation at Hillhead. Although the funds are yet to be utilised as at 31 July 2023, these funds have been secured and to date a repayment of £0.9m has been made as per the agreement.

4.1.6. As at 31 July 2023 the University had total outstanding loans of £93.1m.

4.1.7. As at 31 July 2023, the outstanding value of the student accommodation lease was £22.9m for New Carnegie Court (expires 2037) and the leases for IT equipment was £0.3m.

4.1.8. The University also has a pension guarantee facility with the Bank of Scotland in respect of the University of Aberdeen Superannuation and Life Assurance Scheme (UASLAS) for £9.6m. As the guarantee is not borrowing and is conditional on the University failing to pay deficit contributions to the Scheme there is no requirement for this to be reported on the balance sheet. The external gearing calculation requires that the guarantee is included as debt within the calculation.

## **4.2. 2022/2023 POSITION AND COVENANTS**

- 4.2.1. For the financial year to 31 July 2023, the University reported an underlying surplus of £0.4m, but with a modest increase to the value of our investment portfolios (£0.3m), a further reduction to the value of our investment properties (£0.7m) and an overall decrease in pension liabilities of £16.6m, an overall FRS102 surplus of £12.1m was reported. Further details are available in **Appendix A**
- 4.2.2. Overall net assets have increased from £348.8m to £354.8m, predominantly due to the movement in pension liabilities. A summarised balance sheet is included in **Appendix A**.
- 4.2.3. **Debt Service Cover**
- 4.2.4. The first test set both by external finance providers and the financial regulations is the Debt Service cover test. This measures whether there is sufficient operational cashflow to meet interest repayments and to build up a fund for repayment of debt. Debt service includes interest and capital repayments for loans and leases; however, we have reached agreement with external lenders that the £10m repayment tranches for the Barclays loan facility can be excluded from the calculation.
- 4.2.5. The external test is that the debt service cover is no less than 150% (1.5 times) than the adjusted cash flow figure for the year in question and the internal test is that debt service cover is no less than 250% (2.5 times) the cash flow figure on a 5-year rolling average basis. The internal test is calculated on the previous and current financial years plus projections for a further 3 years.
- 4.2.6. For 2022/23 the debt service cover is 224% and the external debt service cover test has been met. The 5-year average figure of 232%, based on the worst case scenario forecast figures prepared for Court in November 2023 does not meet the internal test. The risk assessed plausible downside 5-year average is 130%. This position was addressed in the financial recovery plan and the going concern analysis papers.
- 4.2.7. The calculation of debt service cover, based on the forecast position is included in **Appendix B**.
- 4.2.8. As per the Financial Regulations, no further action is required in terms of financial year 2022/23. The 2023/24 position is currently being considered and the Going Concern Analysis paper will be provided in due course.
- 4.2.9. **Gearing**
- 4.2.10. The second test is the gearing test which measures the overall borrowing as a percentage of the net assets of the organisation. The higher the ratio, the larger the risk of being unable to service this debt. The internal test is that the University have a gearing ratio that does not exceed 40% of the net assets of the University, whilst the external limit is set at 50% of net assets (including the pension guarantee facility).



- 4.2.11. For 2022/23, the external gearing percentage including the £9.6m guarantee is 34.6% and therefore meets external requirements.
- 4.2.12. The internal gearing figure excluding the pension guarantee facility is 32.0% therefore meeting the internal test requirements. The gearing calculation is included in **Appendix B**.

### **4.3. REPAYMENT STRATEGY**

- 4.3.1. The repayment strategy as at 31 July 2023 was for the University to set aside cash on annual basis to meet the repayments as they fall due. The agreed moratorium period ended on 31 July 2021, and at Court's request, the University must set aside £2.0m p.a. towards the Next Barclays repayment of £10m which was due in September 2026.
- 4.3.2. The refinancing/covenant negotiation package resulted in the full £30.0m being repaid to Barclays in April 2024 and the original facility being replaced with a revolving credit facility (RCF) for the same value. As the RCF has not yet been drawn down, currently the next repayment due is a £20m repayment of the private placement due in May 2044.

### **5. CONCLUSION**

- 5.1. The University has met its internal and external covenant tests for the financial year 2022/23.
- 5.2. As per the Financial Regulations, no further action is required in terms of financial year 2022/23. The 2023/24 position is considered in the Going Concern Analysis paper.

### **6. FURTHER INFORMATION**

- 6.1. 7.1 Further information is available from Mark White, Chief Financial Officer ([mark.white@abdn.ac.uk](mailto:mark.white@abdn.ac.uk)) or Craig Sherrit, Assistant Director, Financial Accounting ([c.a.sherrit@abdn.ac.uk](mailto:c.a.sherrit@abdn.ac.uk)).

08 April 2024 [v2]

**Confidentiality Status:** Open

## Appendix A: Financial Performance 2022/23

<b>Summarised Income &amp; Expenditure</b>	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Income	268,635	260,909
Expenditure before pension provision movements	271,845	253,175
Pension provision movements	(12,475)	60,479
	<u>259,370</u>	<u>313,654</u>
<b>Surplus/(Deficit) before other gains and losses</b>	<b>9,265</b>	<b>(52,745)</b>
Other /gains/(losses)	(988)	(2,661)
Actuarial (loss) in respect of pension schemes	3,832	16,105
<b>Comprehensive (loss)/income for the year</b>	<b>12,109</b>	<b>(39,302)</b>

Our financial management emphasis is on the underlying results that exclude non-controllable and other individually significant items such as the movement of the value of investments and pension deficits. The underlying surplus for the year to 31 July 2022 is £7.0m (2021: £8.7m) as follows:

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Surplus/(Deficit) before other gains and losses</b>	<b>9,265</b>	<b>(52,745)</b>
Impairment of fixed assets	3,939	-
Voluntary severance and early retirement schemes	246	427
Provisions	(259)	(300)
Pension provision movements	(12,975)	59,589
<b>Underlying surplus</b>	<b>396</b>	<b>6,971</b>

<b>Balance Sheet as at 31 July 2023</b>	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Non-Current Assets</b>		
Fixed Assets	524,727	531,991
Investment Assets	74,008	74,321
	<u>598,735</u>	<u>606,312</u>
<b>Current Assets</b>		
Debtors	26,045	24,175
Investments	47,275	57,301
Cash	54,671	51,600
	<u>127,991</u>	<u>133,076</u>
Creditors falling due within one year	(68,470)	(73,871)
<b>Net Current Liabilities</b>	<b>59,521</b>	<b>59,205</b>

Creditors falling due after more than one year	(203,829)	(206,313)
Pensions and other provisions	(90,493)	(107,120)
<b>Total Net Assets</b>	<b>363,634</b>	<b>351,525</b>
<b>Reserves</b>	<b>363,634</b>	<b>351,525</b>

**Appendix B: Covenant Calculations**

	2021/22	2022/23	2023/24	2024/25	2025/26
	£000	£000	£000	£000	£000
<b>Debt Service Cover</b>					
Net cash inflow from operating activities	14,226	9,575	(3,219)	17,746	17,239
Investment income	1,509	3,586	4,590	1,896	1,370
Endowment income	92	94	95	-	-
<b>Adjusted Cash Flow</b>	<b>15,827</b>	<b>13,255</b>	<b>1,466</b>	<b>12,642</b>	<b>18,609</b>
Loan Interest paid	2,931	2,875	2,468	1,881	1,880
Interest element of finance leases	1,858	2,121	2,287	2,274	2,218
Repayments of amounts borrowed	10,286	286	30,286	286	286
Capital element of finance leases	424	641	630	543	646
Barclays repayment carve-out	(10,000)	-	(30,000)	-	-
<b>Debt Servicing Costs</b>	<b>5,499</b>	<b>5,923</b>	<b>5,671</b>	<b>4,984</b>	<b>5,030</b>
<b>Debt Service Cover (&gt;150%)</b>	<b>288%</b>	<b>224%</b>	<b>26%</b>	<b>254%</b>	<b>370%</b>
<b>5 Year Average (&gt;250%)</b>	<b>384%</b>	<b>301%</b>	-	-	-
<b>Gearing</b>					
Pension Guarantee	9,600	9,600			
Loans & Bond	90,000	90,000			
SFC – Financial Transactions	3,357	3,071			
Finance Leases	23,844	23,204			
<b>Debt</b>	<b>126,801</b>	<b>125,875</b>			
<b>Net Assets</b>	<b>348,793</b>	<b>363,634</b>			
<b>Gearing (including Pension Guarantee)</b>					
<b>&lt;50%</b>	<b>36.1%</b>	<b>34.6%</b>			
<b>Gearing (excluding Pension Guarantee)</b>					
<b>&lt;40%</b>	<b>33.3%</b>	<b>32.0%</b>			

**Financial Regulations extract re Covenant Tests**

2.8.5 The University will maintain a Gearing Test which calculates the overall borrowing as a percentage of the net assets of the organisation. A gearing ratio, looks at the overall level of indebtedness against the net assets of the organisation. The higher the ratio, the larger the risk of being unable to service this debt. The University will not borrow funds which exceed 40% of the net assets of the University. The net assets will be per the University's consolidated balance sheet and will be net of provisions for pension liabilities. This test will be prepared on a 5 year absolute basis which will include the previous financial year, current financial year and projections for a further 3 years.

2.8.6 The University will maintain a Debt Service Cover test to ensure there is sufficient operational cashflow to meet interest repayments and to build up a fund for repayment of debt. The lower the ratio, the higher the risk that with a downturn in an organisation, it may not be able to service its debt. The University will maintain a debt service cover no less than 2.5 times the cash generation from operating activities. The cost of debt will include interest payable, the capital element of any finance lease and the amount to be set aside to repay non amortising debt (Barclays and new bond). The operating cashflow will be taken from the University's consolidated cashflow statement and will include inflows or outflows from exceptional items. This test will be prepared on a 5-year rolling basis which will include the previous financial year, current financial year and projections for a further 3 years.

## UNIVERSITY OF ABERDEEN

## UNIVERSITY COURT

**ANNUAL REPORT AND ACCOUNTS 2022/23****1. PURPOSE OF THE PAPER**

1.1	This paper discusses the University of Aberdeen's Annual Report and Accounts 2022/23.
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**2. PREVIOUS CONSIDERATION BY /FURTHER APPROVAL REQUIRED**

	<b>Board/Committee</b>	<b>Date</b>
Previously considered/approved by	Senior Management Team	15 April 2024
Further consideration/ approval required by	Audit & Risk Committee	22 April 2024
	Finance & Resourcing Committee	22 April 2024
	University Court	24 April 2024

**3. RECOMMENDED ACTION**

3.1.	The Court is invited to consider and approve the Annual Report and Accounts for the year ended 31 July 2023 for submission to the Scottish Funding Council by the deadline of 30 April 2024.
3.2.	The document provided is subject to final confirmation by the External Auditor, following the confirmation of refinancing approval by the Court Sub-Group on 17 April 2024, and subsequent signature and seal of the University's refinancing agreement. The Court is therefore requested to approve the Annual Report & Accounts subject to no material changes from the External Auditor.

**4. DISCUSSION****4.1. ANNUAL REPORT & ACCOUNTS 2022/23**

4.1.1. The University of Aberdeen's consolidated group financial statements have been prepared under Financial Reporting Standard (FRS102) and the Statement of Recommended Practice (SORP): Accounting for Further and Higher Education.

4.1.2. These accounts have been prepared on a Going Concern basis. Due to the current and forecast financial situation, the University was forecast to breach existing covenant tests and as a result a refinancing and covenant amendment package was agreed. This forms part of the Financial Recovery Plan and the actions within it, together with this revised debt structure and associated

covenants enable the University to demonstrate that the accounts can continue to be prepared on a Going Concern basis.

- 4.1.3. However, given the uncertainty around international student applications and government funding, the headroom for the financial year 2024/25 earnings before interest, tax, depreciation and amortisation (EBITDA) test (one of the revised covenants) is approximately £1m and is not adequate for management to predict with a sufficient degree of comfort that the test will be met without further actions.
- 4.1.4. As a result of this uncertainty surrounding the main income streams, coupled with the challenging level of savings required to meet the Court approved deficit position in 2024/25 and the EBITDA covenant, management, the Audit & Risk Committee and the external auditors have agreed that a material uncertainty in relation to a going concern clause is required within the audit opinion.
- 4.1.5. The material uncertainty clause is not a qualified audit opinion, but rather recognises that the levels of uncertainty faced must be recognised and potentially have an impact on the University's ability to consider itself as a going concern. In this instance, the uncertainties relate to the University's ability to meet the EBITDA financial covenant test, where a breach of covenant cannot be fully discounted at this point in time. Details of this and the other actions open to the University are included within the Outlook section on pages 55 and 56 of the Annual Report.
- 4.1.6. The Annual Report and Accounts 2022/23, Going Concern and Financing reports have been reviewed by the Audit and Risk and the Finance and Resourcing Committees. The Committee agree that there is a sufficient degree of uncertainty relating to covenant compliance and that this should be disclosed within the report. The Audit and Risk Committee has recommended that the Annual and Accounts are approved by Court.
- 4.1.7. Following their review of the Going Concern analysis, the University's External Auditors, EY have completed the audit of the University Group accounts and have provided an unqualified audit opinion, however due to the issues raised within sections 4.1.3, 4.1.4 and 4.1.5 above, the opinion includes a material uncertainty clause in relation to going concern.

## **4.2. RESULTS**

- 4.2.1. The University group reported a surplus of £12.1m for the year ended 31 July 2023 due to the £13m decrease to the Universities Superannuation Scheme (USS) and £3.7m to other pension liabilities. The underlying surplus from normal operating activities was £0.4m, other items include a £3.9m write off of costs associated with the now ceased King's redevelopment and Business School projects, a £0.7m reduction in the value of investment properties and the University's share of the Aberdeen Sports Village's overall loss of £0.6m including pension adjustments. This is outlined in the Table below.

	<b>£m</b>
<b>Underlying surplus on operating activities</b>	<b>0.4</b>
Pension provision movements	12.8
Impairment and Other one-off adjustments	(3.9)
<b>Deficit before other gains and losses</b>	<b>9.3</b>
Actuarial gain on pension schemes	3.8
Other losses including movements in value of investments etc.	(1.0)
<b>Reported Comprehensive Income per Financial Statements</b>	<b>12.1</b>

4.2.2. Further details are available in the Financial Review section on pages 47 to 56 of the Annual Report.

## **5. FURTHER INFORMATION**

5.1 Further information is available from Mark White, Chief Financial Officer ([mark.white@abdn.ac.uk](mailto:mark.white@abdn.ac.uk)) or Craig Sherrit, Assistant Director, Financial Accounting ([c.a.sherrit@abdn.ac.uk](mailto:c.a.sherrit@abdn.ac.uk)).

12 April 2024

**Confidentiality Status:** Open – Annual Report and Accounts are closed but only until signed and final External Audit Opinion confirmed.



UNIVERSITY OF ABERDEEN

UNIVERSITY COURT

UPDATE ON THE HIGHER EDUCATION SECTOR AND UNIVERSITY DEVELOPMENTS

1. PURPOSE OF THE PAPER

1.1 This paper provides Court with a brief overview of policy developments relating to higher education since February 2024 which are of particular relevance for the University of Aberdeen.

2. PREVIOUS CONSIDERATION BY /FURTHER APPROVAL REQUIRED

	Board/Committee	Date
Previously considered/approved by	SMT	14 March 2024
	Audit Committee	25 March 2024
	Senate	27 March 2024
	FRC	9 April 2024
Further consideration/ approval required by	n/a	

3. RECOMMENDED ACTION

3.1 University Court is invited to note the update.

4. DISCUSSION

4.1 The following sections highlight key policy developments of relevance to the University and the higher education sector since February 2024.

UK DEVELOPMENTS

5. 2024-25 JNCHES PAY ROUND

5.1 The annual collective pay negotiations with the five HE trade unions (UCU, UNISON, Unite, EIS and GMB) which are conducted by UCEA on behalf of UK HE institutions through the Joint Negotiating Committee for Higher Education Staff (JNCHES), started in March 2024. UCEA has set out the financial challenges in an [Employers' Statement](#), including increases to employer pension contributions, a decline in international student numbers, and frozen domestic tuition fees, and outlined progress made on a number of non-pay matters. The [Trade Unions' Heads of Claim](#) was sent to UCEA on 18 March 2024, demanding a pay increase of RPI + 2% (or a flat rate of £2,500, whichever is greater), a commitment to restore lost pay (the unions estimate that members have lost up to 30% of the value of their pay in the past decade), a new minimum pay rate of £15 per hour, for all institutions to become Foundation Living Wage employers, and that UCEA commit to a comprehensive reform of the pay spine. A number of other non-pay related requests have also been put forward. It was recently confirmed that Jo Grady has been re-elected General Secretary of UCU, with her second five-year term starting in the summer.

**Cancellation of local industrial action**

5.2 The Aberdeen campus union UCU notified the University on 23 February that strike action and action short of a strike was planned due to the possibility of compulsory

redundancies of some staff in Modern Languages, with six strike days announced for March. However, Aberdeen UCU confirmed on 7 March that the dispute had been ended following an announcement from the University that the possibility of compulsory redundancy facing staff in Modern Languages had been lifted.

## **6. SPRING BUDGET 2024**

- 6.1 The Chancellor of the Exchequer [announced the 2024 Spring Budget](#) on 6 March. The [budget](#) had little to offer the HE sector, although it was noted that there will be a £14m boost to public sector research and innovation infrastructure, and the government will take forward implementation of new strategies to support university spin-outs. It had previously been announced that the Investment Zones programme will also be extended from five to ten years in Scotland and Wales.

## **7. IMMIGRATION AND INTERNATIONAL STUDENT RECRUITMENT**

- 7.1 As reported at the last meeting, the Home Office [confirmed](#) late last year that a review of the Graduate Route would be carried out as part of government plans to reduce net migration. The Home Secretary has now formally asked the Migration Advisory Committee (MAC) to carry out a [review](#) by 14 May, focusing on potential abuse of the route, whether the route is meeting its objectives, and whether it is undermining the integrity and quality of higher education in the UK. The review has raised major concerns in the sector over the future of international student recruitment to the UK on which the HE sector is heavily dependent. UUK and Universities Scotland will be collaborating in an effort to influence the review and its outcomes.
- 7.2 There have been widespread reports of attrition in international recruitment across the UK. Home Office immigration data released on 29 February shows a 5% drop in sponsored study visas granted to applicants, which includes a sharp drop in visas issued in January 2024.
- 7.3 A UUK survey of 73 UK universities shows a 44% decline in international student enrolments in January 2024, primarily at PGT level. This follows on from a 0.4% decline in September 2023.
- 7.4 On 28 February, the Chartered Association of Business Schools also published its [analysis of international student enrolments](#) in January 2024. The report highlights that non-EU international enrolments in January were lower for 76% of the responding business schools compared to this time last year and that 41% reported lower enrolments for EU students. The report concludes that "...the policy environment created by the UK government is diminishing the competitiveness and prestige of UK business schools internationally."
- 7.5 On 29 February, UUK issued a call to all political parties to commit to retaining a competitive post-study work offer, as such work opportunities are an important factor in international student decision-making. UUK highlighted a recent analysis of the [economic contribution of international student recruitment](#) in the UK, which shows that overseas students have delivered a boost of more than £60bn to the economy since 2019.

## **8. UUK MANIFESTO**

- 8.1 UUK launched its [manifesto](#) for the next general election on 5 March, calling on political parties to commit to policies in their manifestos to help UK universities continue to transform lives.

## **DEVELOPMENTS IN SCOTLAND**

### **9. BUDGET ANALYSIS**

- 9.1 The Institute for Fiscal Studies (IFS) has published a [report on the Scottish government 2024-25 budget](#), and the impact it will have on higher education and public finances.

According to the analysis, the £2,400 boost to student maintenance loans agreed for next year will increase the average loan write-off per student. This is an expense currently borne by the UK Exchequer rather than the Scottish Government. If students take up the full amount they are eligible for, the rise in borrowing will increase average UK government loan write-offs by around £3,400 per student.

## **10. EXAMINATION OF HE FEES AND FUNDING ACROSS THE UK**

- 10.1 London Economics, with support from the Nuffield Foundation, published on 6 February [reports](#) on the higher education fees and funding arrangements across the four UK nations. HEPI hosted an event in Edinburgh on 4 March to discuss the findings for Scotland where participants welcomed a more open conversation about HE funding in Scotland and the pros and cons of the current funding system.
- 10.2 The [policy note for Scotland](#) shows that per student public investment in Scotland is 5x higher than in England but HEIs in Scotland receive 23% less funding per student than in England, leading to greater reliance on overseas recruitment. The report explores different scenarios relating to tuition fees, Teaching Grants and maintenance loans, and the impact that changes to these aspects of the funding system would have on students, the Exchequer, and HE providers. The findings of the research will be shared with political parties to inform election campaigns in 2024.

## **11. STUDENT FINANCE**

- 11.1 Students in Scotland will be able to spread student finance over 12 months rather than nine if they choose, [the government announced](#) on 19 February. This is to help students cover the summer months.

## **UNIVERSITY DEVELOPMENTS**

### **12. RECENT STAFF GRANTS**

12.1 Recent research grants to staff since February 2024 include:

- Dr Javier Martin-Torres and his planetary sciences team in the School of Geosciences, in collaboration with JAXA Japan, have secured a share of £7.4m from the UK government's Space Science and Exploration Bilateral Programme which aims to facilitate collaborations between British universities and international space agencies. A grant of £320k will be used to attempt to create liquid water on the surface of mars for the first time.
- Professor Dragan Jovicic and the HVDC (High Voltage Direct Current) research centre in the School of Engineering have joined 12 partners from nine countries in a major new European MISSION project co-funded by Horizon Europe and the UKRI Horizon Europe guarantee fund totalling £509k, seeking to reduce the release of greenhouse gas with a global warming potential more than 25,000 times higher than CO<sub>2</sub>.
- A team of researchers led by Dr Haytham Hussain in the School of Natural and Computing Sciences (Chemistry) have received a £140,000 award from AXA Research Fund for a project that aims to develop a new method of recycling critical elements from electronic devices, thereby reducing electrical and electronic equipment waste.
- Professor Beth Scott, School of Biological Sciences, has been granted £489k from EPSRC for Phase 2 of the Supergen Hub project, which supports the offshore wind industry.
- Professor Peter Smith in the School of Biological Sciences has been awarded an interdisciplinary research award totalling £274k from the Wellcome Trust for research into Sustainable and Healthy Food Systems.

- Professor Nick Forsyth, Vice-Principal Research, has secured £271k from the BBSRC for a tranche of international institutional awards within the BBSRC remit for international partnerships.
- Dr Silvia Gratz and Professor Karen Scott in the Rowett Institute have received a Knowledge Transfer Partnership Grant totalling £261k for spin-out focussing on 'Research-guided probiotic pipelines: Host-microbe characterisation to guide product development.'
- Dr Jenna Gregory in the School of Medicine, Medical Sciences and Nutrition (MMSN), has received £229k from the Target ALS Foundation for a project entitled 'Theragnostic potential of profiling CD8+ T-cells in peripheral tissues of people with presymptomatic sporadic ALS.'
- Dr Emilie Hollville, in MMSN, has received a highly competitive and prestigious fellowship award totalling £125k from the Academy of Medical Sciences for a project investigating the molecular basis of neuronal development regulated by the schizophrenia risk factor CUL9.
- Professor Craig Ramsay and Dr Dwayne Boyers in MMSN (Health Services Research Unit - HERU), have been awarded a new award linked to dentistry from NIHR (National Institute for Health Research) totalling £61k for a project entitled 'Randomised controlled trial to evaluate the clinical and cost-effectiveness of prescribing high concentration fluoride toothpaste in preventing and treating dental caries in high risk older adults.'
- Professor Alexandra Johnstone in the Rowett Institute has been awarded £59k from Vertical Future Limited for a project entitled 'Vertical Farming as a route to crop nutritional enhancement'.
- Dr Gareth Norton in the School of Biological Sciences and Professor Alex Douglas, MMSN, have received £23k for interdisciplinary research from the Commonwealth Scholarship Commission in the United Kingdom for research into the arsenomics of bread wheat.

## 12.2 Research-related awards, recognition and events:

- Professor John Howell, School of Geosciences, has been recognised for his outstanding outreach and engagement work with the Geological Society of London's *R H Worth Award*. The award will be conferred at a ceremony in June.
- Rose Lyne, Net Zero & Emissions Manager and intern Estrid Jonsson, UG student in Engineering, both in the University's Estates & Facilities Sustainability team, were awarded the *HESPA (Higher Education Strategic Planners Association) Innovation Award* in January for the development of an emissions calculator which quantifies the climate impact of domestic and international student travel.
- Professor Lorna Philip, School of Geosciences (Geography) has been made a Fellow of the Academy of Social Science in recognition of the substantial contribution her work makes to tackling the challenges facing society. Her main area of research is rural socio-economic change.
- The University held a *Connect and Celebrate Inclusion: Breaking Boundaries* event on 7 March as part of the International Women's Day celebrations, dedicated to female boundary breakers.
- An Interdisciplinary Research Facilities Showcase event, organised by Jade McGowan, Dr Alex Brasier and Dr Debbie Wilkinson, will be held in the University's Science Teaching Hub on 19 April, bringing together researchers from across the University for an exhibition of the cutting-edge research facilities the University has

available. The event is open to commercial enterprises and other universities and research institutions.

- University of Aberdeen Business School will be hosting an Energy Transition Conference on 21 May 2024 at King's College Conference Centre, where industry, policy and academic experts from the leading global energy cities of the UK, Norway, Canada and Australia will discuss regulation, funding and finance of the move towards sustainable energy sources.

### 13 EDUCATION-RELATED ACHIEVEMENTS

#### 13.1 Key education-related achievements since February include:

- The University marked the five-year anniversary of its dedicated On-Demand learning website in early March. More than 11,000 students from 140 countries have studied an online short course at the University since the launch of the learning platform in 2019.
- The University placed 15<sup>th</sup> in the UK and first in Scotland in the RateMyPlacement Awards 2024 [announced](#) on 6 March. The awards, which rank the 50 best universities for work experience, is based on student feedback describing the resources available to students and the support they received when looking for work experience opportunities.
- Mr Brian Henderson, Director of Digital & Information Services, was awarded the UCISA *CIO of the Year* Award at the UCISA Awards 2024 Ceremony on 14 March, for demonstrating vision, innovation, transformation and professional excellence in the area of digital practice. UCISA is the UK professional body for digital practitioners in education.
- The Science Teaching Hub was also *Highly Commended* in the UCISA Awards 2024 *Transformation* category, which celebrates groundbreaking digital innovation that has transformed and delivered for the institution and beyond.
- Law Diploma students Ailsa Gardyne and Callum Leeson have won the Scottish Client Consultation Competition held at Dundee University, where student performance was marked by a panel of expert judges in simulated lawyer/client interviews. Ailsa and Callum will now go forward to represent Scotland at the Brown-Mosten International Client Consultation Competition in April, hosted by Poland and Ukraine.
- Law students Syed M Humaid Adil and Dina Hingorani in the Aberdeen University Mooting Society have won the 2024 Lord Jones Intervarsity Mooting Competition. This is the first time the University has won the award since 2006.
- The University of Aberdeen has become the first Asthma Aware University in Scotland after collaborating with the Asthma and Allergy Foundation on the development of e-learning courses that aim to reduce health inequalities within the community, training staff and students how to effectively manage asthma-related situations.
- The Universities of Aberdeen, Dundee, Edinburgh Napier and Heriot-Watt have been awarded an [AdvanceHE Collaborative Development Fund](#) grant for research on staff and student perspectives on Generative Artificial Intelligence (GenAI) in higher education (HE), from January to 1 July 2024. The project is led by Prof. Kirsty Kiezebrink (Dean for Educational Innovation, University of Aberdeen) collaborating with Dr Sara Preston (Senior eLearning Adviser, University of Aberdeen), Natalie Lafferty (Head of the Centre for Teaching and Learning, University of Dundee), Dr Louise Drumm (Associate Professor in Digital Education) and Rosemarie McIlwhan (Associate Professor of Digital Pedagogies and Practices). The research will explore the attitudes and perceptions of diverse stakeholders (Students, Academic

and Professional Services staff) to the integration of GenAI in academic settings, including approaches to teaching and learning. In addition to reporting on the research, the research findings will be used to provide resource cards and infographics which can be used by institutions to explore and enhance their approaches to GenAI. These plus the dataset and survey instruments will be licenced under a Creative Commons licence to enable them to be reused and adapted by other institutions, thus extending the reach and impact of this project.

- On 26 February the Centre for Academic Development received the positive news from Advance HE that the University of Aberdeen CPD Framework for Learning & Teaching has been successfully accredited by Advance HE for another four years. Under the Framework, the University offers three lines of accredited provision:
  - i. The individual recognition route (now named ABDN:PRS), providing opportunity for recognition at Associate Fellowship (D1), Fellowship (D2) and Senior Fellowship (D3) categories.
  - ii. The PG Certificate in Higher Education Teaching and Learning, providing a taught route to Fellowship (D2) as well as 60 credits at SCQF Level 11.
  - iii. The 'Principles of Learning & Teaching in Higher Education' programme, providing a taught route to Associate Fellowship (D1).

The Framework received a total of nine commendations from Advance HE, including recognition of the clear alignment between the University's five Principles of Education and the revised Professional Standards Framework 2023, the use of Fellowship as a measure of esteem within the teaching & scholarship promotions track, and the design of opportunities to facilitate the inclusion of staff at our Qatar campus in Fellowship activities.

- Following Senate approval of the Aberdeen 2040 Attributes & Skills in February, work is now underway to implement the project and embed the attributes and skills across co-curricular and curricular activity in a phased manner. The first phase will be the launch of the attributes and skills for the next academic year starting in September, with subsequent phases of work planned to embed across programmes and courses as well as act as the foundation for future curriculum development work.
- Alongside the range of [previous careers fairs](#) held over this current academic year, over 130 students and representatives from 47 different organisations and groups attended the most recent careers fair, focussed on the volunteering and charity sector and volunteering opportunities available.
- There has been a high demand from students for the [University Career Mentoring Programme](#), where students are matched with experienced professionals to get guidance, support and career advice. The most recent round of applications saw 304 partnerships set up between students and professionals in a wide range of sectors.
- The most recent round of paid internships available via the University ABDN Internships programme saw over 700 applications for 20 internship opportunities. A total of 22 internships have been offered as some of the organisations decided to recruit more than one intern owing to the quality of applications received. These internships are currently running and a [new round of internship opportunities](#) launched at the beginning of March, aiming to offer 'Internships with Impact' across a variety of charity and third sector organisations over the summer.
- Applications closed recently for [shadowing opportunities](#) focussed on the public sector with around 70 applications for a variety of shadowing opportunities at Aberdeenshire Council and NHS Grampian. Students went through a selection process with shadowing beginning on 18 March to provide students with an opportunity to get hands-on experience in the workplace.

- University representatives had a very positive discussion with the University's Quality Enhancement Manager from QAA Scotland on 29 February, to follow up on the University's Quality Enhancement and Standards Review (QESR) last year. The University showcased the strengths of the institutional approach to delivering an excellent student experience.
- The University is preparing the Annual Academic Development Symposium, due to be held on 25 April. The event is funded by Enhancement Theme funds from QAA Scotland and will focus on *Embracing Diversity: Supporting Inclusive Learning Communities*.

#### **14 FURTHER INFORMATION**

Further information is available from George Boyne, Principal and Vice-Chancellor (boyne@abdn.ac.uk) and Hulda Sveinsdottir, Director of Strategic Planning, Project & Corporate Governance (hulda.sveinsdottir@abdn.ac.uk).

9 April 2024

**Freedom of Information/Confidentiality Status:** *Open*

UNIVERSITY OF ABERDEEN  
UNIVERSITY COURT  
**REPORT FROM SENATUS ACADEMICUS**

**1. PURPOSE OF THE PAPER**

- 1.1 This paper outlines the main items of business considered by the Senate at its meeting on 27 March 2024.**
- 1.2 This paper is provided for approval and information and forms part of the mechanism for Court to assure itself that it has academic oversight of quality within the University.

**2. RECOMMENDED ACTION**

- 2.1 Court is asked to approve item 3.1 and to **note** the items discussed (3.2 - 3.6).

**3. DISCUSSION**

**3.1 OMNIBUS RESOLUTION**

**Changes in Regulations for Various Degrees**

- 3.1.1 The Court is asked to **approve, on the recommendation of the Senate, the draft Resolution, 'Changes to Regulations for Various Degrees'** appended as Annex A. This enacts the changes in Degree Regulations recommended by the Quality Assurance Committee for introduction in academic year 2024/2025.

**3.2 REQUEST FOR AN ADDITIONAL MEETING OF SENATE**

- 3.2.1 Senate voted on a request for an additional meeting to be held, to discuss the Financial Recovery Plan and its implications for Education and Research. Senate determined that an additional meeting would be held on Wednesday 8 May at 1pm.

**3.3 REIMAGINING THE CAMPUSES**

- 3.3.1 Senate received a presentation updating them on progress to date with the Reimagining the Campuses project from Professor Peter Edwards, Vice-Principal, Regional Engagement and Morag Beers, Director of Estates and Facilities. Senate noted that an initial report was scheduled to be delivered to Court in June which would detail initial findings and make recommendations to inform Estates Strategy and the 10-year Capital Plan. Senate received details of the working methods of the project which had included four Working Groups (Education, Research & Innovation, Inclusive, Accessible & Wellbeing, and Sustainability). The Working Groups' membership had been drawn from across the whole University community and had been supplemented by the work of three Technical Groups (Estates, Digital and Comms & Marketing). It was reported that to date the project had identified Digital & Data, Estate Configuration (efficiency and consolidation), Flexibility, Alignment with



Institutional Goals, Commercial Opportunities (academic & non-academic) and Partnerships as being the key themes.

### **3.4 OPEN DISCUSSION OF THE IMPLICATIONS OF THE ISRAEL-PALESTINE CONFLICT IN OUR ACADEMIC SETTING**

3.4.1 Following a request from the Students' Association (AUSA), Senate held a wide-ranging debate around the ongoing conflict situation between Israel and Palestine. Included within discussion were concerns around freedom of speech and the extent to which parties from both sides of the conflict felt able, or not, to express personal views across campus on the conflict. The Principal confirmed the University's commitment to upholding the rights for legal, freedom of expression and encouraged anyone feeling that their rights in this context were being suppressed to come forward to ensure the issue might be addressed. At the conclusion of the debate Senate considered and voted to pass four motions as detailed below:

- (i) Senate condemns the systematic destruction of Palestinian educational institutions and knowledge systems.
- (ii) Senate calls on the University to take action in two ways. Firstly, to commit to supporting Palestinian academics and knowledge workers during this time of crisis and its aftermath by promoting and extending scholarship arrangements for Palestinian students and arguing for financial support to rebuild Palestinian educational infrastructure. And secondly, that the University investigates and commits to further ways to extending support to Palestinian students, academics and knowledge workers in Gaza including, but not limited to, possible partnerships.
- (iii) Senate expresses its support for academic freedom and freedom of expression in relation this conflict and others, within the legal frameworks of the UK.
- (iv) Senate expresses its support for academic freedom and freedom of expression in relation the conflict in Gaza and the wider region, within the legal frameworks of the UK.

### **3.5 REVISED MODERATION PROCEDURES**

3.5.1 Senate discussed proposals from the Quality Assurance Committee (QAC) to make changes to the University's Moderation procedures. The Academic Workload Engagement Exercise, part of the ongoing work in relation to Workload Planning, led by the Vice-Principals for Education and Research, a review of the Moderation Procedures had been undertaken. Specifically, the Report of the Academic Workload Engagement Exercise had highlighted "cultural issues which were suggested as meriting further consideration, particularly in relation to the concept of 'trust' and the practices of double marking (specifically) and double checking (more broadly)". This had led to the review of marking and moderation undertaken by QAC and the specific proposals put to Senate for an academic input. These included a reduction in some of the requirements for double marking and moderation; and clarified the process in relation to disparity in marking and moderation. The review aimed to reduce the burden of double marking for Schools, while maintaining the rigour of quality assurance practices. As part of the discussion, Senate voted to reject a motion from a member which sought to set aside the normal practise of such proposals being considered twice at Senate before being approved for implementation. As a result, the proposals would be amended and brought back to Senate in June and therefore

the workload reductions proposed would not be available for the forthcoming examination diet.

### **3.6 ROUTINE BUSINESS**

3.6.1 Senate noted: the routine reports from the Education, Research and Quality Assurance Committees and the timeline for the forthcoming Senate Elections.

### **4. FURTHER INFORMATION**

4.1 Further information is available from Tracey Slaven ([tracey.slaven@abdn.ac.uk](mailto:tracey.slaven@abdn.ac.uk)) or Rachael Bernard ([r.bernard@abdn.ac.uk](mailto:r.bernard@abdn.ac.uk))

1 April 2024 [v1]

**Confidentiality Status:** Open

## UNIVERSITY OF ABERDEEN

## COURT

**DRAFT RESOLUTION NO x OF 2024 [CHANGES IN REGULATIONS FOR VARIOUS DEGREES]**

After consultation with the Senatus Academicus, the University Court, at its meeting on < > passed the following Resolution:

1. On the recommendation of the Senatus Academicus, the following changes to Degree Regulations are hereby approved.
2. Following approval of a change in terminology by the Senatus Academics, in all existing regulations, for 'half-session' substitute 'term'; for 'half-sessions' substitute 'terms'.
3. This Resolution shall come into force on the fifteenth day of September, two thousand and twenty-four.

**1. GENERAL REGULATIONS FOR FIRST DEGREES****Regulation 1.1**

In the existing regulation, for '11' substitute '10'.

In the existing regulation, after 'weeks of teaching' insert 'and a further week, to be used at the discretion of each School (e.g., for the purposes of reading, revision or field trips,'.

In the existing regulation, delete 'revision and'.

1.1 For the purposes of the General Degree Regulations and the Supplementary Regulations, the following definitions shall apply:

**~~Half-session~~Term:** a period, prescribed by the Senatus Academicus, which includes ~~11-10~~ weeks of teaching and a further week, to be used at the discretion of each School (e.g., for the purposes of reading, revision or field trips, followed by a period for ~~revision and~~ assessment.

**Academic Year:** the period which commences on the first day of a Winter Term and extends until the last day of the Summer Vacation in the succeeding calendar year.

**Session:** the aggregate of two ~~half-session~~terms, whether or not these are immediately consecutive, plus, for purposes of the Regulations which govern students' progress, the summer diet of prescribed degree assessments following those ~~half-session~~terms.

<b>Course:</b>	a defined programme of study, normally spanning a <u>half-session term</u> or a half of a <u>half-session term</u> , which is self-contained and leads to a specified amount of credit.
<b>Degree Programme:</b>	the aggregation of all taught elements leading to a defined graduating curriculum, including an Honours programme where appropriate.
<b>Programme Year:</b>	the stage of a degree programme, as defined in the Schedule of Courses annexed to Degree Regulations, on which a student is eligible to embark when registering at the start of any academic year or at the start of the second <u>half-session term</u> as appropriate, subject to their having completed or been exempted from the progression requirements of General Regulation 16, together with any Supplementary Regulations regarding progression to which they may be subject.
<b>Honours Programme:</b>	the aggregation of all Honours courses and assessment prescribed by the Senatus Academicus as qualifying for the award of a degree with Honours in a specified subject or group of subjects.
<b>Credit Point:</b>	the outcome of learning achieved by an average student through 10 notional hours of learning time.
<b>General Credit:</b>	credit previously obtained by a student which does not count towards the qualification for which that student is currently registered. (Note: The credit which does so count is termed 'specific credit').
<b>Class Certificate:</b>	a certificate confirming that a candidate has attended and duly performed the work prescribed for a course.
<b>Exemption:</b>	for the purposes of General Regulation 14, a concession made on the basis of successful completion of previous study which exempts candidates from attendance on and/or assessment in a specific course or courses, or from the requirement to obtain a specified number of credit points, but which of itself has no credit value.
<b>Recognition:</b>	for the purposes of General Regulation 14, the acceptance of successful completion of previous study as equivalent to the award of credit for a named course or courses, or to the award of unnamed credit of a specified value.
<b>Enhanced Study:</b>	any course drawn from those offered as (i) a course designated as 'Sixth Century', (ii) a course offered as part of a Sustained Study route, (iii) a Disciplinary Breadth course
<b>Sustained Study:</b>	a defined group of four 15 credit courses which taken together lead to a specified endorsement on the transcript.

**Disciplinary Breadth:** any course taken by a student in a discipline outside their specified degree intention, where that course is not included in the specification of their degree programme in the University Calendar.

**Short Course Approach:** study on an individual course basis rather than being registered for a specific degree programme. Students studying on this basis can elect to take one or more individual courses or to study on a course-by-course basis, building over time, to complete sufficient credits for the award of a degree or other award (subject to availability).

#### **Regulation 4.2**

In the existing regulation, following 'any academic year' insert 'and / or more than 45 credit points in at least one term'.

4.2 Candidates registered for part-time study may not register for more than 75 credit points in any academic year, nor more than 45 credit points in either ~~half-session~~term. Candidates registered for more than 75 credit points in any academic year and/-or more than 45 credit points in at least one term are deemed to be full-time. In the case of an Honours programme any period of part-time study must normally be continuous and not exceed twice the period of study permitted for completion of that Honours programme (or that part of it being undertaken by part-time study).

#### **Regulation 17.1**

In the existing regulation, for 'years' substitute 'terms'.

17.1 The Senatus Academicus may require candidates to discontinue attendance on courses:

- (1) if, being candidates registered on the University's Access Higher Education programme, they have not completed the programme to a standard deemed to be satisfactory by the Senatus Academicus; *or*
- (2) if, being candidates in programme year 1, they have not obtained 120 credit points within four ~~half-session~~terms of full-time study or the equivalent from their entry to programme year 1 of the degree for which they are currently registered.
- (3) if, being candidates in programme year 2, they have not obtained by award or recognition or been exempted from, 240 credit points including at least 60 credit points at level 2 or above, within four ~~years~~terms of full-time study or the equivalent from their first entry to programme year 2 of the degree for which they are currently registered.
- (4) if, being candidates in programme year 3, they have not completed the requirements necessary for graduation with a non-Honours degree or admission to an Honours programme within four ~~half-session~~terms of full-time study or the equivalent from their first entry to programme year 3 of the degree for which they are currently registered.

For the purpose of this Regulation two ~~half-session~~terms of part-time study shall be counted as

the equivalent of one ~~half-session~~term of full-time study.

### **Regulation 20.2**

In the existing regulation, for '90 credit points at Level 4.' Substitute '180 credit points at Level 3 or above with a minimum of 90 of these being at level 4.'

20.2 In order to qualify with the award of a Degree with Honours, candidates must achieve by award, recognition or exemption, not fewer than 180 credit points at Level 3 or above with a minimum of 90 of these being at level 4.~~90 credit points at Level 4.~~

### **Regulation 21**

In the existing regulation, after 'In the case of a candidate' insert, 'in their final year of study'

In the existing regulation, after 'Honours degree assessment' insert, '(courses at levels 3 and above)'

#### **Regulation 21 (a)**

In the existing regulation, for '90 credit points at Level 4.' Substitute '180 credit points at Level 3 or above with a minimum of 90 of these being at level 4.'

#### **Regulation 21 (d)**

In the existing regulation, for 'level 3' substitute 'level 1 or 2'.

In the existing regulation, for 'level 4' substitute 'level 3'.

In the existing regulation, after 'the assessment, but' delete 'the course is at level 1 or 2 or the course is at level 3 or above and'.

21. In the case of a candidate, in their final year of study, ~~–~~who has failed to complete satisfactorily an element of Honours degree assessment (courses at levels 3 and above) at the time prescribed by Regulation 9.4 and who still wishes to obtain a degree with Honours, then the appropriate procedure from (a) to (e) below shall apply:

- (a) If the candidate has achieved at least 180 credit points at level 3 or above with a minimum of 90 of these at level 4 ~~90 Credit points at level 4~~ and has completed the assessment but been awarded a mark on the Common Grading Scale between E1 and E3 inclusive, they shall be awarded the same amount of unnamed specific credit, not exceeding 30 credit points in total, at level 1. Candidates may not receive compensatory credit for courses defined as compulsory for their degree programme. Candidates who have failed to achieve 90 Credit points at Level 4 or who have failed to achieve a pass in a compulsory course must refer to sub-sections (b), (c) or (d) below,
- (b) If, but only if, the failure is on account of illness or other good cause, the candidate shall be required to submit themselves for assessment at the next available opportunity, and shall be permitted to count the result of that assessment towards Honours classification;
- (c) If the failure is the result of absence or non-submission for any other cause, the candidate shall be awarded zero for the assessment concerned and shall be required to

submit themselves for assessment at the next available opportunity. The grade awarded at that reassessment will be capped at D3.

- (d) If the candidate has completed the assessment, but ~~the course is at level 3, or the course is at level 4 or above and~~ the mark awarded on the Common Grading Scale is below E3, the candidate shall be required to submit themselves for assessment at the next available opportunity. The grade awarded at that reassessment will be capped to D3;
- (e) If any of options (b), (c) or (d) above would normally apply, but medical advice indicates that it would be unreasonable to require a candidate to appear for assessment on a subsequent occasion, and if the candidate's past record provides sufficient evidence that they would have obtained Honours, the examiners may recommend the award of an *Aegrotat* degree, but only after obtaining the consent of the candidate. The award of an *Aegrotat* degree will debar candidates from counting towards Honours degree assessment any result achieved thereafter.

Notes: (i) For courses at level 4 and above, the timing and format of the assessment required under any of sub-sections (b), (c) or (d) above shall be determined by the Senatus Academicus on the recommendation of the Head of the relevant School.

### **Regulation 22.3**

In the existing regulation, following 'Level 2' insert 'or above'.

- 22.3 Any candidate who, while registered at the University, has obtained not less than 240 credit points, including not less than 90 credit points at Level 2 or above, from courses which can be counted towards graduation with a first degree, and who is not qualified for the award of any other degree, diploma or certificate of the University, other than the Undergraduate Certificate in Higher Education, shall be awarded an Undergraduate Diploma in Higher Education (UgDipHE).

## 2. Supplementary Regulations for the Award of the Degree of Master of Science (MSci) in Counselling Psychology

Insert new regulations as follows:

1. The Degree of Master in Science (MSci) in Counselling Psychology is an integrated Master's Degree. The MSci may be conferred as a first degree with Honours but only following the completion of an approved Honours programme.
2. Admittance to the Degree of Master in Science (MSci) in Counselling Psychology will be to level 1 of the programme. Advanced entry is not permitted.
3. In terms of General Regulations for First Degrees 16.1 (c), except with the permission of the Senatus Academicus, candidates may not proceed to programme years 3, 4 or 5 of the degree of MSci in Counselling Psychology unless they have obtained the approval of the Head of the School of Education, and complied with the requirements of Regulation 7, as appropriate to their intended Honours programme.
4. The Examiners may recommend a candidate who has failed to achieve the standard necessary for the award of the degree of MSci in Counselling Psychology be awarded the degree of Master of Arts in Psychology, Counselling and Education with an appropriate designation with Honours.
5. The degree of Master of Arts in Psychology, Counselling and Education may be conferred as an exit degree only.
6. Candidates for the degree of MSci in Counselling Psychology who have failed to meet the standard for progression into level 5, but who have successfully completed all other required elements of the programme and have achieved at least 480 credit points including 90 credit points at level 4, will normally be awarded the degree of Master of Arts in Psychology, Counselling and Education with an appropriate designation with Honours.
7. Candidates for the degree of Master of Science (MSci) in Counselling Psychology who have failed to meet the standard for progression into level 4, but who have successfully completed all other required elements of the programme and have achieved at least 360 credit points including 60 credit points at level 3, will normally be recommended for the award of Degree of Master of Arts in Educational Studies.



### 3. Supplementary Regulations for the Degree of Bachelor of Theology (BTh) (Distance)

#### **Regulation 3**

In the existing regulation, following 'and above must include' insert '180 credit points across levels 3 and 4 and'.

In the existing regulation, following 'level 4' delete 'and not more than 30 level 3 outwith Divinity'.

3. BTh (Distance) Honours. 480 credit points from courses within Divinity. Total credits at level 3 and above must include 180 credit points across level 3 and 4 and 90 credit points at level 4 ~~and not more than 30 level 3 outwith Divinity.~~

### 4. Regulations for Degrees Undertaken at the Aberdeen Institute of Data Science and Artificial Intelligence at South China Normal University (SCNU)

#### **Regulation 13**

In the existing regulation, following 'Level 2' insert 'or above'.

13. In respect of General Regulation 22.3, any candidate who, while registered at the Aberdeen Institute at SCNU, has obtained not less than 240 credit points, including not less than 90 credit points at Level 2 or above, from courses which can be counted towards graduation with a first degree (excluding courses in English Language), and who is not qualified for the award of any other degree, diploma or certificate of the University, other than the Undergraduate Certificate in Higher Education, shall be awarded an Undergraduate Diploma in Higher Education (UgDipHE).

## 5. Supplementary Regulations for the Degree of Bachelor of Laws (LLB)

### Regulation 8

Amend the existing regulation as follows:

8. Candidates must attend courses of instruction in an Honours programme comprising a dissertation and any six of the courses offered for the Degree of LLB with Honours, as specified in Annex A.
- (i) Excepting Candidates who have undertaken an approved period of study abroad during ~~the second half session of~~ programme year 3. In this case:
- a. Candidates undertaking the second term of programme 3 abroad (applicable to the Degree of LLB with Honours) must attend courses of instruction in an Honours programme comprising a dissertation ~~and~~ any five of the courses offered ~~for the Degree of LLB with Honours~~, as specified in Annex A.
  - b. Candidates undertaking programme year 3 in full abroad (applicable to the Degree of LLB in International Law and Comparative Law only) must attend course of instruction in an Honours programme comprising a dissertation and any four of the courses prescribed for the degree, as specified in Annex A.
- (ii) One of these Honours/Annex A courses may be replaced by a Level 4 course from another School, with the permission of the Senatus Academicus.

## 6. Supplementary Regulations for the Degree Bachelor of Laws (LLB) Accelerated

### Regulation 58

In the existing regulation, before 'Candidates for the degree by full-time study only: not less than two sessions.' insert '(i)'.

In the existing regulation, following 'Candidates for the degree by full-time study only: not less than two sessions.' Insert '(ii)Candidates for the degree by part-time study only: not less than four sessions'.

58. Subject to the provisions of Supplementary Regulations 58 to 59 every candidate for the Degree of LLB must obtain a minimum of 360 credit points. Candidates already in possession of a degree before registering for the LLB Accelerated will be awarded 120 credits of recognitions upon entry to the Degree. Candidates will be awarded 90 Level 1 unspecified recognitions, and 30 Level 3 unspecified recognitions. Candidates first enrolled during or after 2003/2004 must obtain a minimum of 60 credit points at level 3, with 30 credits in LS courses and 30 credits of Level 3 unspecified recognitions. Every candidate must be in attendance on classes for the following minimum periods, unless granted exemption by the Senatus Academicus, before applying for the degree.

- (i) Candidates for the degree by full-time study only: not less than two sessions.  
 (ii) Candidates for the degree by part-time study only: not less than four sessions.

## 7. Supplementary Regulations for the Degree of Bachelor of Laws with English Law (LLB) Accelerated

### Regulation 63

In the existing regulation, before 'Candidates for the degree by full-time study only: not less than two sessions.' Insert '(i)'

In the existing regulation, following 'Candidates for the degree by full-time study only: not less than two sessions.' Insert 'Candidates for the degree by part-time study only: not less than four sessions.'

63. Subject to the provisions of Supplementary Regulations 63 to 64 every candidate for the Degree of LLB must obtain a minimum of 390 credit points. Candidates already in possession of a degree before registering for the LLB Accelerated will be awarded 120 credits of recognitions upon entry to the Degree. Candidates will be awarded 120 Level 1 unspecified recognitions. Candidates first enrolled during or after 2003/2004 must obtain a minimum of 60 credit points at level 3 or above in LS courses. Every candidate must be in attendance on classes for the following minimum periods, unless granted exemption by the Senatus Academicus, before applying for the degree.

(i) Candidates for the degree by full-time study only: not less than two sessions.

(+)(ii) Candidates for the degree by part-time study only: not less than four sessions.

## 8. Supplementary Regulations for the Award of all Degrees in Science

### Regulation 1

In the existing regulation, delete 'Degree of Master of Physics (MPhys)'.

1. First Degree programmes in Science may lead as appropriate to the award of a Bachelor's Degree (360 credits including 60 at level 3), a Designated Bachelor's Degree (360 credits including at least 240 at level 1 and 2 and 90 at level 3 in a specified discipline), a Bachelor's Degree with Honours (480 credits including at least 240 at levels 1 and 2 with at least 180 credits at level 3 or above, a minimum of 90 of these being at level 4), or an Integrated Master's Degree (600 credits including in addition to those required for the Bachelor's degree with Honours, 120 further credits comprising an enhanced research project or industrial placement). Candidates for a Designated Bachelor's Degree, Bachelor's Degree with Honours or Undergraduate Master's Degree must in addition comply with the specification for one of the relevant degree programmes specified in the Schedule of Degree Programmes. They must also satisfactorily complete any field work or practical courses as outlined in the programme prescription. The following awards are currently available: -

#### 1.1 At Bachelor's Degree Level

Degree of Bachelor of Science in Pure Science (BSc)

#### 1.2 At Designated Bachelor's Degree Level

Designated Degree of Bachelor of Science in Pure Science (BSc)

Designated Degree of Bachelor of Science in Biomedical Sciences (BScBMS)

**1.3 At Bachelor's Degree with Honours Level**

Degree of Bachelor of Science in Pure Science with Honours (BSc)

Degree of Bachelor of Science in Biomedical Sciences with Honours (BScBMS)

**1.4 At Integrated Master's Degree Level**

Degree of Master of Chemistry (MChem)

Degree of Master of Engineering (MEng)

Degree of Master of Geology (MGeol)

~~Degree of Master of Physics (MPhys)~~

Degree of Master in Science (MSci)

**Regulation 2**

In the existing regulation, following 'MEng' insert 'and'.

In the existing regulation, following 'MGeol' delete 'MPhys'.

2. Except very candidate for the degree must, unless granted a concession in accordance with General Regulations for First Degrees Regulation 14, attend during one of the following minimum periods, as applicable, approved courses of instruction in the University of Aberdeen:

- (i) *Candidates for the degree by full-time study only:* not less than three sessions in the case of the Degree of a Bachelor's or Designated Bachelor's Degree; not less than four sessions in the case of a Bachelor's Degree with Honours; not less than five sessions of full-time study including an industrial placement in programme year 4 in the case of the Degree of Master in Science (MSci); nor less than five sessions of full-time study including an extended research project or industrial placement in the final year in the case of other Undergraduate Master's Degrees.
- (ii) *Candidates for the degree by part-time study only:* not less than five sessions in the case of a Bachelor's Degree, not less than six sessions in the case of a Designated Bachelor's Degree and not less than eight sessions in the case of a Bachelor's Degree with Honours.
- (iii) *Candidates for the degree by a combination of both part-time and full-time study:* such period as may be determined in individual cases by the Senatus Academicus

In terms of General Regulations for First Degrees 4, part-time study is permitted at all levels for the degrees of MChem, MEng ~~and~~, MGeol ~~and~~ ~~MPhys~~. For the degree of MSci, part-time study is not permitted during the Industrial Placement. Candidates wishing to undertake part-time study during any part of the MSci Honours programme must seek guidance/approval from the Head of the appropriate School.

Note: For the purpose of this regulation full-time study during a session means either attendance in any academic year on courses leading to the award of more than 75 credit points, including a minimum of 30 credit points in each ~~half-session~~ term; or (for candidates attending blocked courses) attendance in any academic year on courses leading to the award of more than 75 credit points, including a minimum of 15 credit points in each of two six-week blocks together with pursuance of studies prescribed by a Tutor appointed by the Senatus Academicus of a minimum of 15 credit

points during each of the remaining blocks. Attendance not conforming to this definition is deemed part-time study.

Where a candidate is granted exemption or recognition on the basis of previous study, the minimum period of study for candidates in the University of Aberdeen may be reduced appropriately by the Senatus Academicus, but in no case shall the degree be awarded unless the period of study at the University of Aberdeen has been at least one session. In the case of candidates for an Integrated Master's Degree, the period of study at the University of Aberdeen must be at least three sessions and in no case shall the total period of study at a University or similar institution be less than four sessions.

## 9. Regulations for the Award of an Undergraduate Master's Degree

### **Regulation 12**

In the existing regulation, following '(MGeol)' delete ', Degree of Master of Physics (MPhys)',

12. The Degree of Master of Chemistry (MChem), Degree of Master of Engineering (MEng), Degree of Master of Geology (MGeol), ~~Degree of Master of Physics (MPhys)~~, and Degree of Master in Science (MSci) may be conferred as first degrees with Honours in Science but only following the completion of an approved Honours programme.

### **Regulation 14**

In the existing regulation, following 'MGeol' delete ', MPhys'.

14. In terms of General Regulations for First Degrees 16.1 (c), except with the permission of the Senatus Academicus, candidates may not proceed to programme years 3, 4 or 5 of the degree of MChem, MEng, MGeol, ~~MPhys~~ or MSci unless they have obtained the approval of the Head of the appropriate School, and complied with the requirements of Regulation 9, as appropriate to their intended Honours programme.

### **Regulation 16**

In the existing regulation, following 'MEng' insert 'or'.

In the existing regulation, following 'MGeol' delete 'or MPhys'.

16. The examiners may recommend a candidate who has failed to achieve the standard necessary for the award of the degree of MChem, MEng or, MGeol ~~or MPhys~~, be awarded the Degree of Bachelor of Science in Pure Science with Honours, in accordance with the Supplementary Regulations governing that degree. In the case of the degree of MSci, the examiners may recommend a candidate who has failed to achieve the standard necessary for the award of the degree be awarded the Degree of Master of Arts, Degree of Bachelor of Science in Pure Science or the Degree of Bachelor of Science in Biomedical Sciences with an appropriate designation with Honours.

## 10. Supplementary Regulations for Postgraduate Study

### Regulation 1

In the existing regulations, after ‘the Senatus Academicus’ insert:

‘Every candidate who wishes to graduate in person must normally do so in the academic year following the date of completion of their studies and will only be permitted to graduate once for the same degree. Any student who fails to apply to graduate in the academic year following becoming eligible to graduate will automatically graduate in-absentia and will not normally be permitted to attend a future in-person ceremony.’

Graduation ceremonies are held in June and November but degrees may be conferred in *absentia* at any meeting of the Senatus Academicus. [Every candidate who wishes to graduate in person must normally do so in the academic year following the date of completion of their studies and will only be permitted to graduate once for the same degree. Any student who fails to apply to graduate in the academic year following becoming eligible to graduate will automatically graduate in-absentia and will not normally be permitted to attend a future in-person ceremony.](#)

## 11. General Regulations for Research Degrees

### Regulation 41

In the existing regulations, after ‘paid the tuition fees required’ insert:

‘Every candidate who wishes to graduate in person must normally do so in the academic year following the date of completion of their studies and will only be permitted to graduate once for the same degree. Any student who fails to apply to graduate in the academic year following becoming eligible to graduate will automatically graduate in-absentia and will not normally be permitted to attend a future in-person ceremony.’

#### REQUIREMENTS FOR GRADUATION

41. The degree shall not be conferred on candidates unless:

- (i) they have completed the period specified under Regulation 15, read with Regulation 16;
- (ii) they have paid the tuition fees required.

[Every candidate who wishes to graduate in person must normally do so in the academic year following the date of completion of their studies and will only be permitted to graduate once for the same degree. Any student who fails to apply to graduate in the academic year following becoming eligible to graduate will automatically graduate in-absentia and will not normally be permitted to attend a future in-person ceremony.](#)

## 12. Schedule B – General Regulations for Taught Postgraduate Awards

### Regulation 13

In the existing regulation, after ‘professional engineering institutions’ insert:

‘The award of credit in such instances is not permissible for candidates registered on the Degree of MSc in International Human Resource Management as a consequence of the fact the programme is accredited, and the achievement of all courses is a requirement for completion.’

13. In exceptional circumstances, at the recommendation of the exam board, an external examiner may confirm at the exam board meeting the award of a Masters to a student notwithstanding a marginal fail in up to 30 credits, or up to 20 credits for programmes within the School of Engineering programmes in the School of Engineering that are accredited by Engineering Council licenced professional engineering institutions. [The award of credit in such instances is not permissible for candidates registered on the Degree of MSc in International Human Resource Management as a consequence of the fact the programme is accredited, and the achievement of all courses is a requirement for completion.](#)

### Regulation 16

In the existing regulation, after ‘paid the tuition fees required’ insert:

‘Every candidate who wishes to graduate in person must normally do so in the academic year following the date of completion of their studies and will only be permitted to graduate once for the same degree. Any student who fails to apply to graduate in the academic year following becoming eligible to graduate will automatically graduate in-absentia and will not normally be permitted to attend a future in-person ceremony.’

#### REQUIREMENTS FOR GRADUATION

16. The degree shall not be conferred on candidates unless:

- (iii) they have completed the period specified under Regulation 15, read with Regulation 16;
- (iv) they have paid the tuition fees required.

[Every candidate who wishes to graduate in person must normally do so in the academic year following the date of completion of their studies and will only be permitted to graduate once for the same degree. Any student who fails to apply to graduate in the academic year following becoming eligible to graduate will automatically graduate in-absentia and will not normally be permitted to attend a future in-person ceremony.](#)

## UNIVERSITY OF ABERDEEN

## UNIVERSITY COURT

**FINANCE AND RESOURCING COMMITTEE REPORT****1. PURPOSE OF THE PAPER**

- 1.1 This paper is provided to University Court for information as an overview of the business conducted by the Finance and Resourcing Committee at its meeting on 9 April 2024, to provide an overview of the assurances obtained, and for onward approval and noting of specific items of business, as outlined in section 3 below.
- 1.2 The agenda, papers and draft minutes are available [within the Decision Time Resources area](#) for members of Court.

**2. Previous Consideration By /Further Approval Required**

	<b>Board/Committee</b>	<b>Date</b>
Previously considered/approved by	N/A	
Further consideration/ approval required by	N/A	

**3. Recommended Action**

- 3.1 University Court is invited to:
- **Endorse** the following items considered by the Committee and now recommended to Court:
    - The University's Going Concern Analysis for consideration alongside the final Annual Report & Accounts 2022-23 (items 7.1–7.4 refer).
  - **Formally note** the following items endorsed by the Committee and now recommended to Court:
    - The USS debt monitoring results and metric calculations for 2022-23. A copy of the report is provided at Appendix 1. (Items 7.6–7.9 refer.)
  - **Note** the following items approved by the Committee via its delegated authority:
    - The budget planning assumptions 2024-25 to 2025-6 and the draft timetable for final budget setting (items 6.1–6.11 refer).
    - That the forward University budget would present the current year forecast and two outer years only, in line with the SFC forecasting process (item 6.5 refers).



- That a decision on timing of the payment of the 2024-25 pay award for staff would be deferred until after the September 2024 student intake was confirmed (item 6.12 refers).
- The temporary reduction in Aberdeen Sports Village funding for 2024-25 as part of the University's planning round assumptions (items 7.12–7.18 refer).
- **Note** the Committee's consideration and discussion of the following matters:
  - An update on savings made as a result of admissions services outsourcing (items 4.1–4.3 refer).
  - An update on HE sector and University developments (items 5.1–5.8 refer).
  - An overview of movements in the overall student population in 2023-24, following the intake in January 2024 (Snapshot 3), and developments under the new institutional Student Recruitment Strategy (items 6.13–6.24 refer).
  - An update on progress of the Biomedical Physics Refurbishment Project and the Fast Field Cycling MRI Project (items 6.25–6.28 refer).
  - A presentation on Horizon Europe and income opportunities within the wider research funding landscape (items 6.29–6.38 refer).
  - The February 2024 Monthly Management Accounts (MMR) (item 7.5 refers).
  - The Financial Funding Update 2023-24, which was submitted to the Scottish Funding Council by the deadline of 29 March 2024, following approval by the Senior Management Team (items 7.10–7.11 refer).
  - A report on the current status of the University Endowment, Development Trust SCIO and Northern College portfolios (items 8.1–8.3 refer).

#### **4. MATTERS ARISING**

##### **Admissions Services Outsourcing**

- 4.1. The University Secretary & COO provided a verbal update in respect of the current staffing arrangements within the Student Recruitment Team, in response to a request at the last meeting for further information on the savings being made as a result of service outsourcing in this area.
- 4.2. It was reported that the introduction of two new external systems, QS (third-party processing of postgraduate international applications, which had removed any outstanding delays in processing) and Enroly (the third-party platform to engage and manage the post acceptance of offer phase) carried an annual cost of up to £225k. This would be slightly lower for 2023-24 due to a volume-based contract having been agreed, and there having been a subsequent drop in international applications.

4.3.



**5. PRINCIPAL'S INTRODUCTION**

5.1. The Committee received an update from the Principal on HE sector and University developments.

5.2. It was noted that, despite the challenges currently faced across the sector, a range of very positive and high-profile activity was ongoing across the University, in the fields of education and research.

5.3. It was confirmed that a financial crisis was being faced by the UK HE sector, with increasing numbers of institutions now announcing restructuring activities and redundancies. The sector as a whole was shrinking, and it would be essential to manage the University's own restructuring programme effectively in order to remain competitive and to grow alternative revenue in support of recovery. It was suggested that the need to diversify revenue sources may require a greater appetite for risk and innovation than in previous years.

5.4.



5.5. Members stressed the importance of effective communications activity to ensure that positive news of the University's research impact was widely known. It was reported that the University's recent successes in AI-enhanced breast cancer detection had received significant coverage, and had been brought to the attention of Scottish and UK MPs.

5.6. It was queried whether a further risk appetite workshop should be conducted for Court to enable Members to consider current developments and income diversification requirements in a risk context. The Senior Governor confirmed that an additional workshop was planned for the commencement of the next academic year, recognising the ongoing changes in the external operating environment.

5.7. The Committee noted the Annual Report from the Scottish Commissioner for Fair Access, and it was queried whether the removal of institutional SIMD (Scottish Index of Multiple Deprivation) targets would have a positive impact on funding claw back levied by the SFC. The Principal reported that this was unlikely to reduce claw back levels, however it would benefit the University in respect of the demographic challenges associated with the North East Scotland region that meant it was extremely challenging for SIMD targets to be met.

5.8. One Committee member sought clarification regarding the rationale for the decision to remove the threat of compulsory redundancies within the School of Languages, Literature and Visual Culture, noting that it had been reported to the Committee and to Court in February 2024 that this would not be considered until after the outcomes of the ongoing Voluntary Severance/ Enhanced Retirement (VS/ER) Scheme were known. The Principal responded that Court had referred the matter back to the Senior Management Team, who had conducted appropriate due diligence before reaching the decision to stand down the consultation with LLMVC staff, including an assessment of the likely conversion rate of the VS/ER Scheme. If current initiatives did not yield the required levels of cost savings, further consideration of staffing levels across the institution would be required. The outcomes of the VS/ER Scheme would be known in full in May 2024.

## **6. PLANNING AND RESOURCING**

### **Financial Planning**

- 6.1. The Chief Financial Officer presented the draft budget planning assumptions 2024-25 to 2025-26 and the forward timetable for final budget setting.
- 6.2. It was noted that the paper provided outlined the assumptions used in both drafts of the Financial Recovery Plan (December and January 2024) and highlighted where these may change through the 2024-25 to 2025-26 budgetary process, taking place March to June 2024. The updated budget would reflect any known and estimated material changes in income and costs for Court approval in June 2024, and would be presented to the Committee at its June meeting for prior consideration and endorsement.
- 6.3. The Committee noted with concern the current projections in respect of PGT international recruitment. The papers confirmed that, taking account of wider sector predictions, current application, offer and acceptance data, the PGT international fee forecast would be revised to a reduction of 25% on 2023-24 out-turn. This would reduce net fees by a further £2m.
- 6.4. The Chief Financial Officer highlighted that the University had made central provision for the additional Scottish Funding Council claw back for a shortfall of 300 students in each of the next three years, as the full impact of the withdrawal of funded EU places was likely to be realised. Further confirmation on the final position for 2024-25 was awaited from the SFC.
- 6.5. The Committee noted and approved that the final budget would present the current year forecast for 2023-24 and the outer two years 2024-25 and 2025-26 only, essentially presenting the following two years rather than the usual three. This was due to the uncertainty over tuition fee income, and in particular the pressures in the external and economic environment. The SFC required the University to provide two years within its Strategic Planning Forecast, therefore the forward budget would be in alignment with the SFC forecasting process.

6.6. It was drawn to the Committee's attention that the University continued to work towards the Court approved underlying deficit position of £6m for 2024-25 and between £3m deficit and break even for 2025-26.

6.7.

[Redacted]

6.8.

[Redacted]

6.9.

[Redacted]

6.10.

[Redacted]

6.11.

[Redacted]

[REDACTED]

6.12. [REDACTED]

- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]
- [REDACTED]

**Student Population Report**

6.13. The Vice-Principal Global Engagement, Director of Student Recruitment and Director of Strategic Planning, Project & Corporate Governance joined the meeting to present an overview of movements in the overall student population in 2023-24, following the intake in January 2024 (Snapshot 3), and the associated budgetary implications as reported to SMT on 14 March 2024.

6.14. The Director of Student Recruitment also provided an update on student recruitment strategy developments for 2024-25.

6.15. It was noted that a global paradigm shift was being seen in respect of international student mobility. However, the University remained optimistic at the implementation of activity under its new Student Recruitment Strategy, which was designed to respond in a targeted and agile way to new market opportunities.

6.16. [REDACTED]

6.17. [REDACTED]

6.18. [REDACTED]

6.19. It was confirmed that the new Student Recruitment Strategy encompassed a multi-faceted approach to minimise exposure in any one area, which would be essential to financial sustainability over the coming 2-3 years when international student mobility was predicted to begin to recover.

6.20. It was reported that the University's deposit scheme was now fully implemented. Conversion activity was also performing strongly through Enroly, initiated at an earlier point in the cycle than in previous years to ensure that applicants could be issued a Certificate of Acceptance of Studies (CAS) at the earliest opportunity to secure commitment to Aberdeen.

6.21. The Committee expressed satisfaction that a significant amount of work and positive improvements were being seen.

6.22. Members commented that the shortfall in international PGT numbers was predominantly centred across 4-5 academic Schools, those which also offered the highest average fee waivers. The Director of Student Recruitment reported that fee Waiver differences across Schools reflected market concentration differences. Therefore, waivers differed by market on the basis that some markets were less price sensitive and some more so. The institutional approach was being kept under close review.

6.23. [REDACTED]

6.24. The Committee requested that a further update on student recruitment activity should return to the next scheduled meeting on 4 June 2024, with a particular focus on planned developments and opportunities in the area of Transnational Education (TNE). It was also requested that this should include an indication of the University's likely strategy in China, given the possible restrictions placed upon this market by developing UK Government Policy. The Committee also queried what marketing and online advertising was being conducted with regard to funded places in Medicine and Dentistry to ensure that prospective students were aware of the School of Medicine's ranking as Number 1 in the UK and that no recruitment gaps were seen.

### **Medical Physics Centre for Medical Imaging**

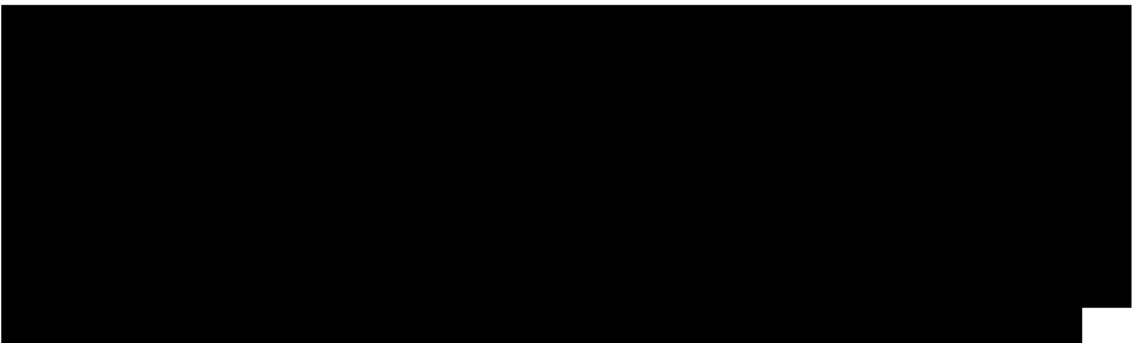
- 6.25. The Committee noted an update on progress of the Biomedical Physics Refurbishment Project and the Fast Field Cycling MRI Project in the Lillian Sutton Building. The paper provided noted that construction works in respect of both projects were now complete, and confirmed the final project spend.
- 6.26. It was noted that options for commercialisation of the FCI scanner were being pursued with input from members of Court's Commercialisation Committee.
- 6.27. The committee expressed satisfaction at the progress achieved to date, recognising the exiting opportunity that the commercialisation of the scanner technology presented for the University.
- 6.28. The University Secretary highlighted to the Committee that the progression of both projects had also seen positive developments in terms of a more mature approach to project management methodology.

### **Research Funding**

- 6.29. The VP Research joined the meeting to present an update on Horizon Europe and income opportunities within the wider research funding landscape.
- 6.30. A summary of research grant applications was provided, showing overall growth from 2018-19 to 2022-23. Applications were also trending upwards in value, with a shift towards larger value applications. Since 2021, research income growth of up to 10% per annum had been seen, representing a recovery to 2018-19 levels, which saw approximately 40 applications to EU funds each year, with a funding return of £3-5m.
- 6.31. An overview of major funding sources was also provided, and it was confirmed that UK government (including Scottish Government, the National Institute for Health Research (NIHR) and Innovate UK) was the largest source of grant income during 2022-23. Income levels for other funding sources, partnerships and interdisciplinary projects were presented.
- 6.32. Success rates by number of applications were confirmed at 30%, against the sector average of 27%, highlighting the quality of research applications at the University.
- 6.33. An overview of current opportunities against EU priorities was provided, and it was noted that the University was competitive in the area of Horizon Europe Early Research Career (ERC) grants. The support mechanisms for EU applications across the University were highlighted.
- 6.34. The Committee's attention was also drawn to planned future activity, including: an EU Strategy to focus on higher value awards and centre of excellence opportunities; enhanced structure support for prestigious transition to independence fellowships; a new Research Development Framework; collaborative awards with strategic partners in priority areas such as energy transition, nutrition research, data and AI; and the mobilisation of strategic grant support for high value opportunities to position the University to secure UKRI centre-level award funding.

6.35. Confirmation was sought that the sector had now returned to pre-Brexit levels of research funding availability. The Vice-Principal Research reported that the research funding environment was less hostile now than during the more immediate pre- and post-Brexit periods and UK institutions were once again regarded as legitimate leads for EU applications. However, a full return to pre-Brexit funding levels would not be seen for a further few years.

6.36. The Committee queried whether restructuring activity at the University could negatively impact research momentum, particularly with regard to any increased workloads for research active staff. The Vice-Principal Research responded that the University was currently continuing to secure major grants on a regular basis, in addition to crossing threshold points for research programme progress and funding draw down. This indicated that staff were continuing to actively pursue research activity. However, close monitoring would be undertaken in order to ensure that both research space and quality could be maintained in the face of current economic challenges.

6.37. 

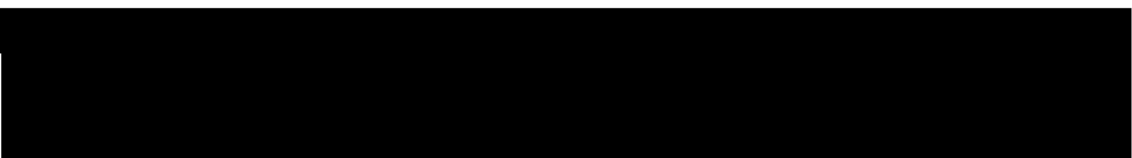
6.38. Members asked what more could be done to drive research activity and enhanced research income across the University. It was confirmed that a review of current activity levels was being undertaken across individual Schools to better understand whether or not research activity was optimal, and to inform the best distribution of resources. It was anticipated that the review would demonstrate that further improvements could be made to ensure the throughput and output of quality outcomes at target volumes and funding levels.

## 7. FINANCIAL MANAGEMENT

### Chief Financial Officer's Report

#### Going Concern

7.1. The Committee considered and endorsed the updated Going Concern analysis, which outlined the University's projected cash flows and short-term financing risks, and demonstrated that the University could continue on a going concern basis for the period to 31 July 2025.

7.2. 





7.3.



7.4. Noting that the covenant tests could be met, and that the University could be considered as a going concern, the Committee were satisfied to endorse the report for onward progression to University Court, subject to final review by the Audit & Risk and Finance & Resourcing Committees at their additional meetings on 22 April 2024. The final Going Concern Report is now presented to Court for approval under the current agenda, alongside the Annual Report and Accounts.

Monthly Management Accounts

7.5. The Committee considered and endorsed the February 2024 monthly management accounts (MMR).

Pensions Covenant Compliance

7.6. The Committee noted and endorsed the report on the USS debt monitoring results and metric calculations for 2022-23, as outlined within the paper.

7.7. It was noted that although the University has exceeded 2 of the metrics in 2022-23, there was no requirement for it to enter into further engagement with the USS Trustee as all four of metrics A – D must be exceeded in any year or any three of these metrics in consecutive years in order to trigger a requirement to notify.

7.8. The Committee noted that the reversal of the USS Pension Scheme deficit position had resulted in a non-cash adjustment of over £80m within the University's financial statements. It urged that this should be appropriately presented and clarified within the Annual Report & Accounts to make clear that this did not alter the University's underlying deficit position and the need to continue with planned restructuring activity.

7.9. A copy of the compliance report is provided at Appendix 1.

**Financial Forecast Update**

7.10. The Chief Financial Officer presented the institutional Financial Forecast Update (FFU) 2023-24 for the Committee's formal noting, which had been submitted to the Scottish Funding Council (SFC) by the deadline of 29 March 2024, following approval by the Senior Management Team.

7.11. The paper provided to the Committee noted that the FFU enabled SFC to obtain a meaningful revised forecast of institutions' financial position in terms of income and expenditure, underlying operating position, balance sheet and liquidity part way through the current academic year and drew comparisons with the original Strategic Planning Forecasts (SPF) prepared and submitted to the SFC at the end of June 2023.

**Aberdeen Sports Village**

7.12. The University Secretary & COO outlined the proposed funding settlement for the Aberdeen Sports Village (ASV) for 2024-25 and provided an update on the ongoing discussions in relation to the ASV strategic partnership.

7.13. [Redacted]

7.14. [Redacted]

7.15. [Redacted]

7.16. [Redacted]

7.17. [Redacted]

7.18. [Redacted]

**8. INVESTMENTS**

**Investment Portfolio**

8.1. The Chief Financial Officer presented an update on the University Endowment, Development Trust SCIO and Northern College portfolios.

8.2. The Committee expressed satisfaction at the current levels of investment returns being achieved.

8.3.



## 9 FURTHER INFORMATION

9.1. Further information is available from Jan Whitfield, Clerk to the Finance and Resourcing Committee, [janine.whitfield@abdn.ac.uk](mailto:janine.whitfield@abdn.ac.uk)

**Confidentiality Status:** The following sections contain commercially sensitive information and should remain closed: 4.3, 5.4, 6.7-6.12, 6.16-6.18, 6.23, 6.37, 7.2-7.3, 7.13-7.18, 8.3.

## UNIVERSITY OF ABERDEEN

## FINANCE &amp; RESOURCING COMMITTEE

**Universities Superannuation Scheme (USS) Debt Monitoring 2022/23****1. PURPOSE OF THE PAPER**

1.1 This paper provides an update on the USS debt monitoring results for financial year 2022/23. The paper is for **information**.

**2. PREVIOUS CONSIDERATION BY /FURTHER APPROVAL REQUIRED**

	<b>Board/Committee</b>	<b>Date</b>
Previously considered/approved by	Senior Management Team Audit & Risk Committee	12 March 2024 25 March 2024
Further consideration/ approval required by	Finance & Resourcing Committee	9 April 2024

**3. RECOMMENDED ACTION**

3.1 The Finance & Resourcing Committee are invited to note the results of the USS metric calculations for financial year 2022/23.

**4. DISCUSSION**

- 4.1 The Universities Superannuation Scheme (USS) is a UK wide pension scheme for academic and academic related (Grade 5 – 9) staff members. The Scheme provides benefits on a hybrid basis, with a defined benefit element to a cap of approximately £70,000 and a defined contribution element thereafter.
- 4.2 Scheme rules mean, that as an employer belonging to the Scheme, the University cannot offer an alternative pension provision to academic or academic-related staff members.
- 4.3 Following the 2020 valuation exercise, in addition to benefit changes, USS employers agreed to the USS Trustee's request that additional covenant support was necessary to ensure that Scheme contributions remained affordable for both employers and members.
- 4.4 The USS Trustee was seeking covenant support from employers to assist with reducing the contribution levels. The additional support covered:
- Debt monitoring – USS would collect data annually from employers to monitor the sector and take action against individual institutions as necessary,

- USS would require *pari passu* security on any new secured borrowing undertaken by employers,
- A moratorium on employer exits from the Scheme

4.5 Whilst there was some concern re the levels of covenant support requested by the USS Trustee, that this was required to ensure that progress could be achieved.

The tests as set by USS are as follows:

Metric A      Gross debt to net assets should not exceed 50%

Metric B      Gross debt to total income should be below 50%

Metric C      Gross debt to net cash flow from operations should be lower than 5 times

Metric D      Interest cover should be greater than 4 times

Metric E      Total secured borrowing should not exceed 10% of total net assets (excluding pensions liabilities)

and

Total assets over which security is held should not exceed 10% of gross assets

4.6 The USS Trustee will determine that there is a trigger point for further engagement should:

- All four of the Metrics A to D be exceed (or expected to be exceeded) in one financial year.
- Any three of Metrics A to D be exceeded (or expected to be exceeded) in two consecutive consultive years (note, it does not need to be the same metrics that have been exceeded).
- Metric E is exceeded in any financial year.

4.7 Where further engagement is required, the Trustee will notify the Employer that further discussions are necessary. Further details of the metrics, further engagement and likely outcomes and included within **Appendix A**.

## 5. UNIVERSITY OF ABERDEEN RESULTS 2022/23

- 5.1 Whilst USS have yet to request the information for financial year 2022/23, we do not anticipate that the metrics will be amended from those that have already been agreed.
- 5.2 The reporting metrics are not onerous with most of the required information already available from the University's annual accounts and our Higher Education Statistics Agency (HESA) Finance Return based on the accounts. Both documents have been approved and submitted for the year ended 31 July 2022.
- 5.3 Management have calculated the various metrics for financial year 2022/23 based on the workings provided by USS. The metrics for previous financial year have also been provided:

Metric	2022/23			2021/22		
	Result	Test	Met	Result	Test	Met
A Gross debt to net assets	25.6%	<50%	Y	25.6%	<50%	Y
B Gross debt to total income	43.3%	<50%	Y	44.9%	<50%	Y
C Gross debt to net cash flow from operations	12 times	< 5 times	N	9 times	< 5 times	N
D Interest cover	2 times	>4 times	N	3 times	>4 times	N
E Secured borrowing/Net Assets	N/A	<10%	Y	-	<10%	Y
E Assets with security/Gross Assets	N/A	<10%	Y	-	<10%	Y

Note: As the University does not have secured borrowing, the results for Metric E are 0%.

- 5.4 Although the University has exceeded 2 of the metrics in 2022/23 there is no requirement for the university to enter into further engagement with the USS Trustee as all four of metrics A – D must be exceeded in any year or any three of these metrics in consecutive years. The forecast metrics for the current financial year will be calculated as part of the budget process with initial forecast indicating that Metrics C & D will be breached in 2023/24.
- 5.5 Note there are no reporting requirements for the University of Aberdeen Superannuation and Life Assurance Scheme, the Scheme for the University's administrative staff on grades 1 to 4.

## **6. FURTHER INFORMATION**

6.1 Further information is available from Mark White, Chief Financial Officer ([mark.white@abdn.ac.uk](mailto:mark.white@abdn.ac.uk)) or Craig Sherrit, Assistant Director, Financial Accounting ([c.a.sherrit@abdn.ac.uk](mailto:c.a.sherrit@abdn.ac.uk))

March 2024

**Freedom of Information/Confidentiality Status: Open**



## DEBT MONITORING FRAMEWORK

### PART A – POLICY

Date adopted by the Trustee: 30 September 2021

#### 1 INTRODUCTION

- 1.1 This document relates to the Trustee's debt monitoring framework and contains a number of sections.
- 1.2 The purpose of Part A - Policy is to explain why the Framework is necessary, describe the principles that the Trustee will follow in operating the Framework, and summarise how the Trustee will work with Employers to implement the Framework.
- 1.3 Part B – Requirements sets out the detail of the Framework, including how each metric will be calculated by the Trustee, and the typical source of each of the data items required from employers.
- 1.4 Part C – Process Flow Charts sets out diagrammatically the processes that will be used by the Trustee to collate and gather information from the Employers for debt monitoring purposes and also seek pari passu security, where required in accordance with the terms of the Requirements Document.
- 1.5 Part D – Worked Examples contains a number of hypothetical worked examples showing how the Trustee expects the Framework to operate in practice (the "**Worked Examples**"). The Worked Examples are included for illustrative purposes only. The Employers vary significantly in terms of size, operating models and structures and, as a result, each Employer's debt arrangements vary significantly. This means that the Trustee cannot set out, definitively, how it will act in circumstances where an Employer exceeds the Monitoring Metrics. The Trustee must retain its discretion to take such action to protect the Scheme's Covenant as it sees fit (taking into account each Employer's particular circumstances and all powers available to the Trustee under the Scheme's Governing Documentation and applicable law and regulation).
- 1.6 Part E – Defined Terms: capitalised words used in this document that are not defined when used have the meaning given to them in Part E.
- 1.7 If there is any inconsistency between any of the Parts of this document and Part B - Requirements, the terms of Part B will prevail.
- 1.8 The Trustee will keep the terms of the Framework under review. If the Trustee (acting reasonably) decides that it is necessary or desirable to make material changes to the Framework, or that the Framework is no longer required, the Trustee will consult with Universities UK (on behalf of the Employers) before making any such changes.
- 1.9 All data provided under this Framework (including any discussions or correspondence undertaken as a result of the Framework) shall remain confidential and will not be disclosed by the Trustee unless agreed to by the Employer or unless required by law. From time to time the



Trustee may share trends and other analysis with UUK on an anonymised basis which may inform future developments of the Framework.

## **2 BACKGROUND TO THE FRAMEWORK**

2.1 As defined by TPR, the covenant provided by an Employer to the Scheme is the extent of the Employer's legal obligation and financial ability to support the Scheme now and in the future (the "**Covenant**").

2.2 Understanding the strength of the Covenant provided to the Scheme by the Employers is essential to the Trustee's management of the Scheme. In particular, decisions relating to investment and funding risks are based on the ability of the Employers to individually and collectively support the Scheme.

2.3 A stronger Covenant provided to the Scheme by the Employers will benefit all Employers. It will allow the Trustee to:

- (a) take a longer-term view on Scheme funding issues (for example, when considering the overall level of prudence in the actuarial assumptions and recovery plan);
- (b) take appropriate investment risk (e.g. investing more in growth assets which have the potential to generate higher returns); and
- (c) potentially, depending upon all relevant circumstances, avoid the need to require higher regular contributions from Employers to fund the Scheme in the future (thereby allowing Employers to retain capital to run their institutions and invest in future development).

2.4 The strength of the employer covenant supporting an occupational pension scheme can change materially over a short time period and, if it does, this could have significant implications for the scheme's investment and funding strategy. Therefore, TPR expects trustees to monitor the employer covenant regularly between formal assessments (alongside key investment and funding risks) so that they can act quickly to take decisive action to protect the covenant when required.

2.5 The overall Covenant rating for the Scheme for the 2018 actuarial valuation was 'strong' but on 'negative watch'. This was partly because Employer debt levels were increasing faster than the size of the sector, and there was no formal process in place for the Trustee to monitor and assess Employer debt levels on an ongoing basis. Employer debt is, therefore, a key aspect of the Covenant that the Trustee must monitor.

2.6 The purpose of the Framework is to document a process that allows the Trustee to continue to work openly and collaboratively with Employers to monitor Employer debt and take action, where necessary, to protect the Scheme's interests as a creditor where there is a Material Weakening of an Employer's Covenant. A proportionate monitoring process, aided by good information sharing, is in the best interests of all Employers to ensure that the Scheme does not pose an unnecessary risk to their future sustainability.

2.7 The Framework sets out the detail of the monitoring process and the steps that the Trustee will take if the Monitoring Metrics are exceeded or if the Employers fail to co-operate with the

Framework. The Monitoring Metrics have been set based on the Trustee's assessment of what changes to an Employer's debt position could result in a Material Weakening of its Covenant.

### **3 KEY PRINCIPLES UNDERPINNING THE FRAMEWORK**

#### ***General***

- 3.1 The aim of the Framework is to put in place a process where the Trustee and the Employers continue to work together to support and protect the Covenant provided to the Scheme by the Employers in circumstances where the debt levels of Employers are increased, or where Employers are increasing secured debt and/or the value of assets secured. Although actions taken by the Trustee under the Framework might represent additional calls on an Employer's resources, such actions should reduce the risk that the Scheme poses to the Employer and the likelihood that adverse changes in the Scheme could make an already difficult situation worse.
- 3.2 The Trustee will operate the Framework, including its engagement with employers, in a spirit of openness and transparency. Where possible it will work with any Employer where further engagement and/or action may be required to understand, listen and take into account all relevant information before making any decisions. In doing so it will be transparent with the relevant employer regarding the information and analysis of the employer's position it has received and considered, and the factors influencing any decisions it makes (except where any conflicting legal or confidentiality requirements make this not possible). For more about how the Trustee will operate the Framework and work with Employers, see our document ["How we will work with you"](#) on the [uss.co.uk](#) 2020 valuation webpage.
- 3.3 The Framework is not intended to:
- (a) undermine the 'mutuality of covenant' principle, which the Trustee acknowledges is of key importance to the Employers and the Trustee;
  - (b) add any unnecessary new administrative or operational burdens on Employers;
  - (c) impose unnecessary constraints on Employers, particularly in distressed situations;
  - (d) result in USS interference to the day-to-day operation of Employers' businesses;
  - (e) enhance the Scheme's position relative to the position of other secured creditors in existence at 1 October 2021;
  - (f) limit or restrict in any way the powers which the Trustee has available to it, both now and in the future, under the Scheme's Governing Documentation and/or applicable law and regulation; or
  - (g) give the Trustee new powers in addition to those available to it by operation of the Scheme's Governing Documentation and/or applicable law and regulation.

### ***Application of the Framework and exceptional circumstances***

- 3.4 Given the potential effects of the COVID-19 pandemic on the sector and the Scheme's funding levels, the Trustee recognises that there is the potential for a significant number of Employers to exceed the Monitoring Metrics in the early years of the Framework's operation who would not otherwise do so.
- 3.5 In particular, there may be Employers whose position against the metrics is impacted by their use of the University Support Package (USP) and/or HE Restructuring Regimes (HERR).
- 3.6 While different Employers may operate or be structured in many different ways, the Framework will apply to all Employers (subject to any carve-outs or de minimis criteria which may be specified by the Trustee from time-to-time).
- 3.7 The Trustee will have regard to an Employer's specific circumstances (including the impact of COVID-19, any usage of the USP and HERR resources, and any other exceptional circumstances) when considering any exceeding (or expected exceeding) of the Monitoring Metrics.

### ***Costs***

- 3.8 Ordinarily the Trustee's costs and expenses associated with operating the Framework will be met from the Fund. However, the Requirements Document contains specific exceptions to this general principle covering circumstances in which the Trustee considers that it is reasonable for an Employer to meet the Trustee's reasonable costs and expenses directly. As a result, the Scheme's Schedule of Contributions will include wording which expressly acknowledges that, in certain circumstances, Employers might be required to pay directly to the Trustee costs and expenses reasonably incurred by the Trustee in operating the Framework.
- 3.9 Where an Employer is expected to meet the Trustee's reasonable costs and expenses, the Trustee will provide the Employer with details of its costs and expenses upon reasonable request (and, where possible, will provide the Employer with details of any costs and expenses that the Trustee expects to incur before they are incurred).

## **4 OPERATION OF THE FRAMEWORK – A SUMMARY**

### ***Collecting information from Employers***

- 4.1 The Trustee will ask Employers annually to complete a short online form and submit a number of key figures from their accounts. Appendix 2 to Part B of this document sets out the minimum data and other information that an Employer will be required to provide in relation to each Monitoring Metric annually (including where that data may be found on HESA and OfS submissions, if the Employer is required to make such submissions).
- 4.2 Employers will be given the option to self-certify that they are not exceeding the relevant number of Monitoring Metrics and do not expect to exceed the Monitoring Metrics within the next 12 months.

- 4.3 In between annual submissions, unless notified otherwise, each Employer will be required to provide the Trustee with certain additional information on an ad-hoc basis as specified in the Requirements Document.

***Review of information from Employers***

- 4.4 Following receipt of the annual submission from an Employer (or, where an Employer provides information in between annual submissions, following receipt of that information), the Trustee will review the annual submission/information (together with publicly available information relating to the Employer) in order to assess whether there has been a Trigger Event.
- 4.5 Further engagement between the Trustee and the Employer may take place where the Trustee (acting reasonably) considers that a Trigger Event has occurred.
- 4.6 Appendix 1 to Part C of this document sets out the Trustee's process for collecting and reviewing information from Employers diagrammatically.

***Further engagement - General***

- 4.7 Where further engagement is required, the Trustee will contact the Employer for a discussion in order to gain a better understanding of the Employer's situation. The Trustee appreciates that Employers are subject to many competing pressures and priorities and will seek to fully understand, and have regard to, such matters when working with an Employer to determine what further action it will take (if any) in response to any exceeding (or expected exceeding) of the Monitoring Metrics. As mentioned above, the Trustee does not want to impose unnecessary burdens on Employers, particularly where an Employer is in financial distress; indeed, where an Employer is in such a situation, the Trustee would wish to support the Employer so far as possible.
- 4.8 No direct engagement will be undertaken under this Framework with any employer with total assets <£50m and annual income <£50m in the most recent financial year, or who participates in USS on 'Limited' terms.

***Further engagement - Exceeding of Monitoring Metrics A-D***

- 4.9 If the further engagement relates to an exceeding (or expected exceeding) of the relevant Monitoring Metrics A to D, the Trustee might decide that no immediate further action is necessary after evaluation of the Employer's data and/or following initial discussion with the Employer. In the majority of cases, this is the position the Trustee would hope to find itself in, but this will need to be properly assessed by the Trustee on a case-by-case basis. If the Trustee believes that there is a Material Weakening of the individual Employer's Covenant, the Trustee will enter into further discussion with the Employer to try to agree suitable mitigation measures. Subject to paragraph 1.2 above, see Part E - Worked Examples for some examples of the types of measures that might be agreed.

***Further engagement - Exceeding of Monitoring Metric E or Trustee notified of a Floating Charge Proposal***

- 4.10 As the Scheme is an unsecured creditor (without security or other collateral), there is a significant risk to Covenant strength if an Employer's assets are pledged to lenders or other third parties because the Scheme's position as a creditor is subordinated.
- 4.11 Therefore, if further engagement has been triggered:
- (a) as a result of exceeding (or expecting to exceed) Monitoring Metric E; or
  - (b) because the Trustee has been notified of a Floating Charge Proposal,
- the Trustee will enter into discussions with the Employer to try to agree suitable mitigation measures.
- 4.12 As a minimum, the Trustee will require the Employer to provide pari passu security before the Employer takes on new or additional secured debt, and/or grants security for existing unsecured debt, in each case on or after 1 October 2021 (unless, in exceptional circumstances, the Trustee decides that it is appropriate to agree an alternative security package with the Employer or the Trustee determines that the circumstances of the new borrowing meet the definition of covenant-enhancing). Details of the pari passu security required by the Trustee should be read in full and can be found in paragraph 6 of the Requirements Document.
- 4.13 It is important to note that the Trustee is only seeking to protect the Scheme's creditor position and potential recovery on insolvency by requesting pari passu security – it is not seeking to enhance its position relative to other secured creditors.

***Further engagement - Quasi-Security***

- 4.14 If further engagement has been triggered because the Trustee has been notified of a Quasi-Security Proposal, the Trustee will enter into discussions with the Employer to try to agree suitable mitigation measures, where appropriate.

**5 FAILURE TO AGREE SUITABLE MITIGATION MEASURES FOLLOWING FURTHER ENGAGEMENT OR FAILURE BY AN EMPLOYER TO COMPLY WITH THE FRAMEWORK**

- 5.1 Legislation and the Scheme's Governing Documentation support the Trustee in requiring an Employer to comply with the Framework.
- 5.2 The Trustee's preference will always be to work to secure the cooperation of Employers rather than penalise non-cooperation, and it will seek to work with Employers in an open and transparent manner. However, the Trustee might decide that it needs to take unilateral action to protect the Covenant/enforce the Framework in circumstances where it considers (acting reasonably) that it is not going to be possible to agree suitable mitigation measures with an Employer by continuing with the further engagement process or where an Employer has failed to comply with the Framework.

- 5.3 The actions that the Trustee might take range (depending on the circumstances) from notifying TPR of its concerns to taking unilateral action using the powers available to the Trustee under the Scheme's Governing Documentation and applicable law and regulation such as:
- (a) its power under Rule 6.1 of the Scheme Rules to require an Employer to accelerate payment of existing deficit recovery contributions due; or
  - (b) its power under the definition of "Withdrawing Institution" and/or Rule 44.3 of the Scheme Rules to make an Employer a "Withdrawing Institution" under the Scheme Rules (thereby triggering a section 75 debt).
- 5.4 In support of the Framework, the Scheme's Schedule of Contributions will include wording which expressly acknowledges that one of the remedies available to the Trustee (where it decides that action should be taken in an individual case) could be to accelerate the payment of Employer deficit recovery contributions.
- 5.5 Where an Employer disputes the Trustee's proposed action(s), it will be able to appeal directly to the Trustee Board, which will review the position and proposed action(s) taking into account all information, evidence and views submitted, before making its decision. Any such appeal must be lodged with the Trustee Board in writing as soon as reasonably practicable, and specifically in relation to a proposal to accelerate deficit recovery contributions no more than 30 calendar days from notification to the Employer of the intention of the Trustee to do so. The Trustee Board will make its decision as to whether the appeal should be upheld or not and then notify the appealing Employer in writing of its decision as soon as reasonably practicable, and in any case no later than 60 calendar days from the date the Employer lodged the appeal with the Trustee Board. The Trustee Board's decision in relation to the matters(s) being appealed by the Employer will be final.
- 5.6 The Trustee will not engage with an Employer to achieve accelerated deficit recovery contributions (or take other unilateral action) under the Framework where it considers that:
- (a) After review of the Employer's financial details and covenant position, no further engagement is needed; or
  - (b) That the Employer is complying with the Framework (i.e. providing the required information and engaging with the Trustee when required); and
- there has not been a Trigger Event.

## DEBT MONITORING FRAMEWORK

### PART B - REQUIREMENTS

Date adopted by the Trustee: 30 September 2021

#### 1 INTRODUCTION AND INTERPRETATION

- 1.1 The purpose of Part B - Requirements is to document a process that allows the Trustee to continue to work openly and collaboratively with Employers to monitor Employer debt and take action, where necessary, to protect the Scheme's interests as a creditor where there is a Material Weakening of an Employer's Covenant. A proportionate monitoring process, aided by good information sharing, is in the best interests of all Employers to ensure that the Scheme does not pose an unnecessary risk to their future sustainability.
- 1.2 Capitalised words used in Part B - Requirements have the meaning given to them in the document headed "Debt Monitoring Framework: Glossary of Terms".
- 1.3 If there is any inconsistency between: (i) Part B - Requirements and any other part of this document, the terms of Part B will prevail.
- 1.4 The Framework is without prejudice to the powers available to the Trustee under the Scheme's Governing Documentation and applicable law and regulation.

#### 2 TRUSTEE'S POWER TO REQUEST INFORMATION

- 2.1 The information requested from Employers under this Framework is being requested under Regulation 6 of The Occupational Pension Schemes (Scheme Administration) Regulations 1996 (the "**Scheme Administration Regulations**").
- 2.2 Under Regulation 6(1)(a) of the Scheme Administration Regulations, each Employer has a duty to disclose, on request, such information as is reasonably required by the Trustee to perform its duties.
- 2.3 Under Regulation 6(1)(b) of the Scheme Administration Regulations, each Employer has a duty, within one month of the relevant event occurring, to disclose to the Trustee the occurrence of any event relating to the Employer which there is reasonable cause to believe will be of material significance in the exercise of the Trustee's duties (e.g. an event that would have a materially significant impact on the Employer's covenant).
- 2.4 Employers' Deeds of Accession also generally contain similar provisions requiring Employers to supply the Trustee with such information as may reasonably be needed for the proper administration of the Scheme.
- 2.5 If an Employer is concerned that it cannot disclose information to the Trustee without breaching confidentiality obligations it owes to a third party, the Trustee will enter into a confidentiality agreement with the Employer, where required.

### 3 SUBMISSION OF INFORMATION BY EMPLOYERS

#### *Annual submission*

3.1 Annually (generally in the first quarter of each year), each Employer must complete an online form and submit it to the Trustee.

3.2 The online form will require the Employer to provide certain financial information (based on the Employer's most recently audited financial statements for the last financial year) to enable the Trustee to assess that Employer against the relevant Monitoring Metrics. It will also require the Employer to confirm whether it expects to exceed any of Monitoring Metrics A to E in the next 12 months.

3.3 If an Employer:

- (a) does not have any debt or borrowing; or
- (b) based on its own calculations, does not believe (acting reasonably) that it exceeds any of the Monitoring Metrics; and
- (c) believes (acting reasonably) that the situation will not change in the next 12 months,

it will be given the option to self-certify that this is the case rather than submit full data ("**Self-Certification**").

3.4 **Ad-hoc submission** Each Employer, unless notified otherwise, will be required to provide the Trustee with the following information on an ad hoc basis:

- (a) a copy of any formal notification relating to financial sustainability made by it to the Office for Students (or any equivalent regulatory body);
- (b) from 1 October 2021, where an Employer becomes aware of a change or plans to implement a change (actual or proposed) in its debt position since its last annual submission that has resulted (or is expected to result) in any of the relevant Monitoring Metrics A to D being exceeded, to notify the Trustee within one month of the Employer becoming aware of the relevant event occurring or relevant decision being taken (as applicable);
- (c) where it proposes to:
  - (i) take on new or additional secured debt, and/or grant security for existing unsecured debt, in each case on or after 1 October 2021, and this would result in:
    - (A) it exceeding Metric E; or
    - (B) a floating charge being granted over the Employer's full asset base, irrespective of the quantum of debt (a "**Floating Charge Proposal**"); or



- (ii) enter into Quasi-Security (a "**Quasi-Security Proposal**"),

details of the proposal at least 12 weeks before the security or Quasi-Security is entered into (unless the Trustee agrees (acting reasonably) that there are exceptional circumstances that mean 12 weeks' notice cannot be given – see paragraph 3.5 below); and

- (d) any other information relating to an event that it ought reasonably to consider (bearing in mind the Framework) will be of material significance in the exercise by the Trustee of its functions with such information provided within one month of the relevant event occurring or relevant decision being taken (as applicable).

3.5 For the avoidance of doubt, after 1 October 2021 the Trustee still expects, unless it has notified the Employer otherwise, to receive a notification from an Employer under paragraph 3.4(b) above where, in between annual submissions, an Employer expects to exceed any of Monitoring Metrics A to D because of a downturn in its financial performance so that the Employer would trigger further engagement in accordance with paragraph 4.2.

3.6 Where an Employer considers that there are exceptional circumstances for the purposes of paragraph 3.4(c), it should contact the Trustee as soon as possible and, in any event, before taking on new or additional secured debt and/or granting security for existing unsecured debt and/or entering into Quasi-Security. An example of exceptional circumstances would be if an Employer was in distress and required financial support to manage liquidity within less than 12 weeks. In such circumstances, the Employer should notify the Trustee of its intention to take on new or additional secured debt, and/or grant security for existing unsecured debt, and/or enter into Quasi-Security as soon as discussions begin with the third party to whom security is being given.

#### ***Review of information by the Trustee***

3.7 All information provided to the Trustee by Employers (including, for the avoidance of doubt, Self-Certification submissions) can be reviewed by the Trustee (and checked against publicly available information) to determine whether there has been a Trigger Event.

3.8 If it is discovered that information provided by an Employer to the Trustee as part of an annual submission was materially inaccurate or incomplete at the time of submission, the Employer will be expected to pay directly to the Trustee all costs and expenses reasonably incurred by the Trustee in carrying out a full assessment of the Employer against the Monitoring Metrics. For the avoidance of doubt, a Self-Certification submission from an Employer will be considered to have been materially inaccurate where publicly available information shows that it should not have been made (i.e. where the publicly available information shows that there would have been a Trigger Event at the time of the annual submission if the Employer had not self-certified).

## **4 MONITORING METRICS**

4.1 The Monitoring Metrics will be used to monitor each Employer's financial leverage, ability to service debt and levels of secured debt.

4.2 Where:

- (a) the Trustee (acting reasonably) considers that:
  - (i) all four of the relevant Monitoring Metrics A to D are exceeded (or expected to be exceeded) in one financial year – see paragraph 4.3 below; or
  - (ii) any three of the relevant Monitoring Metrics A to D are exceeded (or expected to be exceeded) in two consecutive financial years (for the avoidance of doubt, it does not need to be the same Monitoring Metrics that are exceeded in both years) – see paragraph 4.3 below; or
  - (iii) Monitoring Metric E is exceeded (or expected to be exceeded) in any one financial year – see paragraph 4.4 below; or
- (b) the Employer notifies the Trustee of:
  - (i) a Floating Charge Proposal; or
  - (ii) a Quasi-Security Proposal,

(each event described in 4.2(a) and 4.2(b) being a "**Trigger Event**"),

the Trustee will review the Employer's financial details and covenant position, and engage with the employer where it feels it is necessary to do so.

4.3 For the purposes of paragraph 4.2(a)(i) and (ii) above (i.e. the Trustee's assessment as to whether Monitoring Metrics B-D are exceeded or expected to be exceeded), if Metric A shows gross debt is less than 25% of net assets (excluding pension provisions) AND the Trustee's estimate of an employer's share of the total scheme section 75 debt is less than 0.1%, then Metrics B to D will not apply for that employer in that year.

4.4 For the purposes of paragraph 4.2(a)(iii) above (i.e. the Trustee's assessment as to whether Monitoring Metric E is exceeded or expected to be exceeded), the following will apply:

- (a) Metric E will not be exceeded where the total secured borrowings:
  - (i) equate to less than 10% of consolidated net assets (excluding pension provisions); and
  - (ii) are secured on assets the value of which do not exceed 10% of the Employer's consolidated gross assets. (Note: this does not apply to debt secured by a floating charge over an employer's full asset base.
- (b) Irrespective of whether an employer exceeds the requirements of paragraph 4.4(a) above, total aggregate security over specific assets is exempt if the total aggregate value of such assets is less than the higher of:
  - (i) 2% of net assets and excluding pension provisions; and

(ii) £0.5m;

OR if the assets over which debt is secured:

- i. Are endowment assets; and
  - ii. are owned by the employer directly or via a subsidiary, joint venture of the employer or special purpose vehicle in which the employer has an ownership interest; and
  - iii. are property assets held for development and commercial management purposes in order to produce investment returns and not for operational use by the employer.
- (c) Debt instruments which fall outside of paragraph 4.2(b) will be considered on a case by case basis. The review should take into account the principle that if debt is funding a new asset, which is expected to grow revenue and enhance covenant, rather than funding a replacement asset, and is only secured against the new asset (as opposed to any existing assets), it will be exempt (e.g. security granted in favour of grant awarding bodies over an asset that has been funded by the grant in order to secure the grant awarding bodies' conditions).

## **5 FURTHER ENGAGEMENT**

- 5.1 This section does not apply to any employer with total assets <£50m and annual income <£50m in the most recent financial year, or who participate in USS on 'Limited' terms.
- 5.2 Where further engagement is required the Trustee will notify the Employer of this fact and enter into discussions with the Employer in order to gain a better understanding of the Employer's situation. The Trustee (acting reasonably) may request further information from the Employer to assist it with this, which the Employer must provide to the Trustee promptly upon request.

### ***Further engagement – Exceeding Monitoring Metrics A-D***

- 5.3 If the further engagement relates to an Employer exceeding (or being expected to exceed) the relevant Monitoring Metrics A to D, the Trustee might decide that no immediate further action is necessary following its initial discussion with the Employer.
- 5.4 If, however, the Trustee believes that there is a Material Weakening of the Employer's Covenant, the Trustee will enter into further discussions with the Employer to try to agree suitable mitigation measures.

### ***Further engagement – Exceeding Monitoring Metric E or Trustee notified of a Floating Charge Proposal***

- 5.5 If the further engagement is required as a result of exceeding (or expecting to exceed) Monitoring Metric E, or because the Trustee has been notified of a Floating Charge Proposal:
- (a) the Trustee will enter into discussions with the Employer to try to agree suitable mitigation measures and, subject to paragraph 5.6 below, the Employer will be required,

as a minimum, to provide pari passu security in accordance with paragraph 6 below before the Employer takes on new or additional secured debt, and/or grants security for existing unsecured debt, in each case on or after 1 October 2021, unless the Trustee determines that the circumstances of the new borrowing meet the definition of covenant-enhancing; and

- (b) the Employer will be expected to pay directly to the Trustee all costs and expenses reasonably incurred by the Trustee in relation to the granting, amendment and release of pari passu security to the Scheme (including, for the avoidance of doubt, the Trustee's costs relating to discussions about and implementation of the same).

5.6 There might be exceptional circumstances where the Trustee decides that it is appropriate to agree an alternative security package with an Employer who would otherwise be required to provide pari passu security because Metric E was exceeded or the Trustee is notified of a Floating Charge Proposal.

5.7 If an Employer is required to provide pari passu security because Metric E was exceeded or the Trustee is notified of a Floating Charge Proposal and the Trustee (acting reasonably) does not consider that pari passu security alone provides adequate mitigation, it will also try to agree suitable additional mitigation measures with the Employer.

5.8 The Employer will co-ordinate and oversee any information exchange required between prospective creditors and the Trustee in relation to pari passu security.

***Further engagement – Trustee notified of a Quasi-Security Proposal***

5.9 If the further engagement is required because the Trustee has been notified of a Quasi-Security Proposal, the Trustee will enter into discussions with the Employer to try to agree suitable mitigation measures.

**6 PARI PASSU SECURITY**

6.1 Where the Trustee requires an Employer to provide pari passu security pursuant to paragraph 5.5(a) above:

- (a) the amount of the liabilities due to the Trustee to be secured will be an amount equal to the Employer's share of the Technical Provisions Deficit (calculated based on the results of the Scheme's last triennial actuarial valuation) or, if higher, an amount equal to the lower of:

- (i) the quantum of new or additional and/or existing debt granted security on a £ for £ basis, but excluding the amount of any debt already secured as at 1 October 2021; and
- (ii) the Employer's share of the Section 75 Deficit calculated at the point the security is called upon by the Trustee,

and will rank pari passu with the amount of new or additional and/or existing debt granted security on a £ for £ basis, but excluding the amount of any debt already

secured as at 1 October 2021 (in relation to which, for the avoidance of doubt, the Trustee will not seek pari passu security). Pari passu will not be applied to secured debt that refinances secured debt originally in place at 1 October 2021 if there is no material change in total secured debt, the assets secured, and security terms (i.e. a like for like replacement or substantially the same); and

- (b) the Trustee should be granted the same class of charges over the same assets as the third party that has been granted security unless the Trustee agrees to an alternative (i.e. if the third party is granted fixed charges over specific assets, the Trustee would take similar fixed charges over the same assets unless the Trustee agrees to take similar fixed charges over similar assets. Similarly, if the third party is granted floating charges over other assets, such as the whole of an institution's assets and undertaking, the Trustee would take similar floating charge security); and
- (c) the Trustee will provide the initial draft of the security documentation (including any intercreditor arrangements) unless otherwise agreed between the Trustee and the Employer.

6.2 If the secured debt that led to the granting of the pari passu security is subsequently repaid by the Employer (and the security supporting that secured debt is released in full), the Employer must notify the Trustee and confirm whether or not it expects to exceed Monitoring Metric E before its next annual submission.

6.3 If the Trustee is able to satisfy itself, having taken professional advice, that doing so would not lead to a Material Weakening in the Scheme's Covenant beyond the release of the pari passu security itself and that there was no compelling reason (in the Trustee's reasonable opinion) why doing so would place the Scheme in a materially worse creditor position (including potential recovery on insolvency) in relation to that Employer than prior to the pari passu security being granted, USS will release its pari passu security as soon as is reasonably practicable following the notification in 6.2 above.

6.4 If the Trustee is unable to satisfy itself as described in paragraph 6.3, the Trustee will engage the Employer in further discussion to consider whether the pari passu security could be exchanged for an alternative form of protection and/or the level of security adjusted in order to ensure that the Scheme does not inadvertently find itself in a materially better creditor position in relation to that Employer, by retaining the pari passu security and at its existing level, than it was in prior to the pari passu security being granted.

## **7 FAILURE TO AGREE SUITABLE MITIGATION MEASURES FOLLOWING FURTHER ENGAGEMENT OR FAILURE BY AN EMPLOYER TO COMPLY WITH THE FRAMEWORK**

7.1 If, after a reasonable period has expired since the Trustee commenced the further engagement process pursuant to paragraph 5.2 above, the Trustee (acting reasonably) considers that it is not possible to agree satisfactory mitigation measures, the Trustee may take unilateral action (using the powers available to it under the Scheme's Governing Documentation and applicable law and regulation) to protect the Scheme from the Material Weakening of the Employer's covenant.

7.2 Before doing so however the Trustee will use its best endeavours to ensure the relevant Employer has a full understanding of the Trustee's position and its evaluation of the Employer's position, including sharing the information and analysis of the employer's position it has received and considered, and the factors influencing any decisions it has made (except where any conflicting legal or confidentiality requirements make this not possible). The Trustee will also hear and consider any representations the Employer makes in relation to its own position, and any such Employer will have the opportunity to appeal directly to the Trustee Board in respect of any Trustee decision or proposed action(s). Any such appeal must be lodged with the Trustee Board in writing as soon as reasonably practicable, and specifically in relation to a proposal to accelerate deficit recovery contributions no more than 30 calendar days after the notification to the Employer of the intention of the Trustee to do so. The Trustee Board will make its decision as to whether the appeal should be upheld or not and then notify the appealing Employer in writing of its decision as soon as reasonably practicable, and in any case no later than 60 calendar days from the date the Employer lodged the appeal with the Trustee Board. The Trustee Board's decision in relation to the matters(s) being appealed by the Employer will be final.

7.3 If:

- (a) the Trustee considers (acting reasonably) that an Employer has failed to comply with the Framework; and
- (b) where the Employer's non-compliance is capable of remedy:
  - (i) the Trustee has notified the Employer of its non-compliance and given the Employer a reasonable period within which to remedy its non-compliance; and
  - (ii) the Employer has failed to remedy its non-compliance within the time period specified by the Trustee,

then, depending upon the extent of the Employer's non-compliance, the Trustee may take further action as it considers appropriate in the circumstances.

7.4 For the avoidance of doubt, the Trustee will not be prevented from taking unilateral action in the event that it does not first give the Employer notice of its non-compliance (e.g. in circumstances where the Trustee (acting reasonably) considers that the Employer's non-compliance is not capable of remedy or that it needs to act quickly to protect the Scheme).

7.5 For the purposes of this paragraph 7, it is important to note that the Trustee has a unilateral power under Rule 6.1 of the Scheme Rules to require any Employer to contribute to the Fund the amounts determined by the Trustee, acting on actuarial advice, to be required to satisfy the rights of members to benefit under the Scheme. However, the Trustee will not engage an Employer to require the accelerated payment of existing deficit recovery contributions due (or take other unilateral action) under the Framework where it considers that the Employer is:

- (a) complying with the Framework (i.e. providing the required information and engaging with the Trustee when required); and
- (b) there has not been a Trigger Event.

7.6 Appendix 2 to Part C – Process Flow Charts also diagrammatically sets out the process that the Trustee will follow when seeking pari passu security from the Employers, where required in accordance with the terms of the Requirements Document.

**APPENDIX 1 TO PART B - REQUIREMENTS: Monitoring Metrics**

<b>Monitoring Metric</b>	<b>Calculation</b>	<b>Threshold</b>
<b>Metric A*</b> Gross debt : Net assets excluding pension provisions	Bank loans and external borrowing (short term and long term)	Threshold is exceeded where the result of the Calculation is that gross debt is >50% of net assets.  Where the result of the calculation is <25%, Metrics B to D may not apply (see para 4.3).
	<b>PLUS</b> bank overdrafts	
	<b>PLUS</b> obligations under finance leases and service concessions (on balance sheet short and long term)	
	----- <b>ALL DIVIDED BY</b> -----	
	Net assets <b>PLUS</b> pension provisions	
<b>Metric B*</b> Gross debt : Total income	Bank loans and external borrowing (short term and long term)	Threshold is exceeded where the result of the Calculation is that gross debt is >50% of total income
	<b>PLUS</b> bank overdrafts	
	<b>PLUS</b> obligations under finance leases and service concessions (on balance sheet short and long term)	
	----- <b>ALL DIVIDED BY</b> -----	
	Total income	
<b>Metric C*</b> Gross debt : Net cash flow from operations	Bank loans and external borrowing (short term and long term)	Threshold is exceeded where the result of the Calculation is that gross debt is >5x net cash flow from operations
	<b>PLUS</b> bank overdrafts	
	<b>PLUS</b> obligations under finance leases and service concessions (on balance sheet short and long term)	
	----- <b>ALL DIVIDED BY</b> -----	
	Net cash flow from operations <b>PLUS</b> regular endowment income	
<b>Metric D</b> Interest Cover	Net cash inflow from operations	Threshold is exceeded where the result of the Calculation is that interest cover is <4x
	<b>PLUS</b> regular endowment income	
	----- <b>ALL DIVIDED BY</b> -----	
	Interest paid <b>PLUS</b> interest element of finance lease and service concession payments	
<b>Metric E**</b> Gross secured debt: Net assets	<b>For the first threshold test:</b> Consolidated secured bank loans and consolidated secured external borrowing (short term and long term)	Threshold is exceeded where: 1. total secured borrowings are greater than 10% of the employer's consolidated net assets calculated after excluding pension provisions; or 2. total secured borrowings are secured on assets the value of which exceed 10% of the employer's consolidated gross assets
	<b>PLUS</b> consolidated secured bank overdrafts	
	----- <b>ALL DIVIDED BY</b> -----	
	Consolidated net assets <b>PLUS</b> pension provisions	
	<b>For the second threshold test:</b> Total book value of assets against which consolidated secured external borrowing (short term and long term) is secured	
	----- <b>ALL DIVIDED BY</b> -----	
	Consolidated gross assets	

\* Note, for Monitoring Metrics A to C, loans from funding councils can be excluded where these amounts can be separately identified and evidenced as non-repayable. For the avoidance of doubt, any debt which the Trustee has agreed under 4.4(c) may be treated as "covenant enhancing" should still be included in the data submitted.



\*\* Employers and their subsidiaries should be considered. Secured debt includes cross-guarantees provided in respect of group entities on a secured basis. For the avoidance of doubt, any debt which the Trustee has agreed under 4.4(c) may be treated as “covenant enhancing” should still be included in the data submitted.

**APPENDIX 2 TO PART B – REQUIREMENTS: Example of the information required in support of an Employer's annual submission**

	<b>Calculation and data items</b>	<b>HESA and OfS data fields or other corresponding financial line items</b>
<b>Metric A*</b>  Gross debt: Net assets excluding pension provisions	Bank loans and external borrowing (short term and long term)	<ul style="list-style-type: none"> <li>Bank loans and external borrowing (creditors: amounts falling due within one year)</li> <li>Bank loans and external borrowing (creditors: amounts falling due after one year)</li> </ul>
	<b>PLUS</b> bank overdrafts	<ul style="list-style-type: none"> <li>Bank overdrafts (creditors: amounts falling due within one year)</li> </ul>
	<b>PLUS</b> obligations under finance leases and service concessions (on balance sheet short and long term)	<ul style="list-style-type: none"> <li>Obligations under finance leases and service concessions (creditors: amounts falling due within one year)</li> <li>Obligations under finance leases and service concessions (creditors: amounts falling due after one year)</li> <li>Loans from funding councils (current liabilities)</li> <li>Loans from funding councils (non-current liabilities)</li> </ul>
	<b>-----ALL DIVIDED BY-----</b>	
	(Net assets <b>PLUS</b>	<ul style="list-style-type: none"> <li>Total net assets (at book value, or insurance value (subject to audit) – valuation method to be made clear on submission)</li> </ul>
	pension provisions)	<ul style="list-style-type: none"> <li>Pension provisions</li> </ul>
<b>Metric B*</b>  Gross debt: Total income	Bank loans and external borrowing (short term and long term)	<ul style="list-style-type: none"> <li>Bank loans and external borrowing (creditors: amounts falling due within one year)</li> <li>Bank loans and external borrowing (creditors: amounts falling due after one year)</li> </ul>
	<b>PLUS</b> bank overdrafts	<ul style="list-style-type: none"> <li>Bank overdrafts (creditors: amounts falling due within one year)</li> </ul>
	<b>PLUS</b> obligations under finance leases and service concessions (on balance sheet short and long term)	<ul style="list-style-type: none"> <li>Obligations under finance leases and service concessions (creditors: amounts falling due within one year)</li> <li>Obligations under finance leases and service concessions (creditors: amounts falling due after one year)</li> <li>Loans from funding councils (current liabilities)</li> <li>Loans from funding councils (non-current liabilities)</li> </ul>
	<b>-----ALL DIVIDED BY-----</b>	
	Total income	<ul style="list-style-type: none"> <li>Total income</li> </ul>
<b>Metric C*</b>  Gross debt: Net cash flow from operations	Bank loans and external borrowing (short term and long term)	<ul style="list-style-type: none"> <li>Bank loans and external borrowing (creditors: amounts falling due within one year)</li> <li>Bank loans and external borrowing (creditors: amounts falling due after one year)</li> </ul>
	<b>PLUS</b> bank overdrafts	<ul style="list-style-type: none"> <li>Bank overdrafts (creditors: amounts falling due within one year)</li> </ul>
	<b>PLUS</b> obligations under finance leases and service concessions (on balance sheet short and long term)	<ul style="list-style-type: none"> <li>Obligations under finance leases and service concessions (creditors: amounts falling due within one year)</li> <li>Obligations under finance leases and service concessions (creditors: amounts falling due after one year)</li> <li>Loans from funding councils (current liabilities)</li> <li>Loans from funding councils (non-current liabilities)</li> </ul>
	<b>-----ALL DIVIDED BY-----</b>	
	(Net cash flow from operations <b>PLUS</b>	<ul style="list-style-type: none"> <li>Net cash inflow/(outflow) from operating activities</li> </ul>
regular endowment income)	Regular endowment income is not a current HESA data field but it is an OfS data field.	

	Calculation and data items	HESA and OfS data fields or other corresponding financial line items
<b>Metric D</b>  Interest Cover	Net cash inflow from operations	<ul style="list-style-type: none"> <li>Net cash inflow/(outflow) from operating activities</li> </ul>
	<b>PLUS</b> regular endowment_income	<ul style="list-style-type: none"> <li>Regular endowment income is not a current HESA data field but it is an OfS data field</li> </ul>
	<b>-----ALL DIVIDED BY-----</b>	
	(Interest paid <b>PLUS</b>	<ul style="list-style-type: none"> <li>Interest paid</li> </ul>
	interest element of finance lease and service concession payments)	<ul style="list-style-type: none"> <li>Interest element of finance lease and service concession payments</li> </ul>
<b>Metric E**</b>  Gross secured debt: Net assets/Gross Assets	<p>For the first threshold test:</p> <p>Consolidated secured bank loans and consolidated secured external borrowing (short term and long term) <b>PLUS</b> consolidated secured bank overdrafts</p> <p><b>-----ALL DIVIDED BY-----</b></p> <p>(Consolidated net assets <b>PLUS</b> pension provisions)</p>	<ul style="list-style-type: none"> <li>Total consolidated secured borrowings (including cross-guarantees provided to entities on a secured basis)</li> <li>Total net assets</li> <li>Pension provisions</li> </ul> <ul style="list-style-type: none"> <li>(at book value, or insurance value (subject to audit) – valuation method to be made clear on submission)</li> </ul>
	<p>For the second threshold test:</p> <p>Total book value of assets against which consolidated secured external borrowing (short term and long term) is secured</p> <p><b>-----ALL DIVIDED BY-----</b></p> <p>Consolidated gross assets</p>	<ul style="list-style-type: none"> <li>Total assets</li> <li>Book value of assets against which debt is secured not available from HESA data – to be provided by employer</li> </ul> <ul style="list-style-type: none"> <li>(at book value, or insurance value (subject to audit) – valuation method to be made clear on submission)</li> </ul>

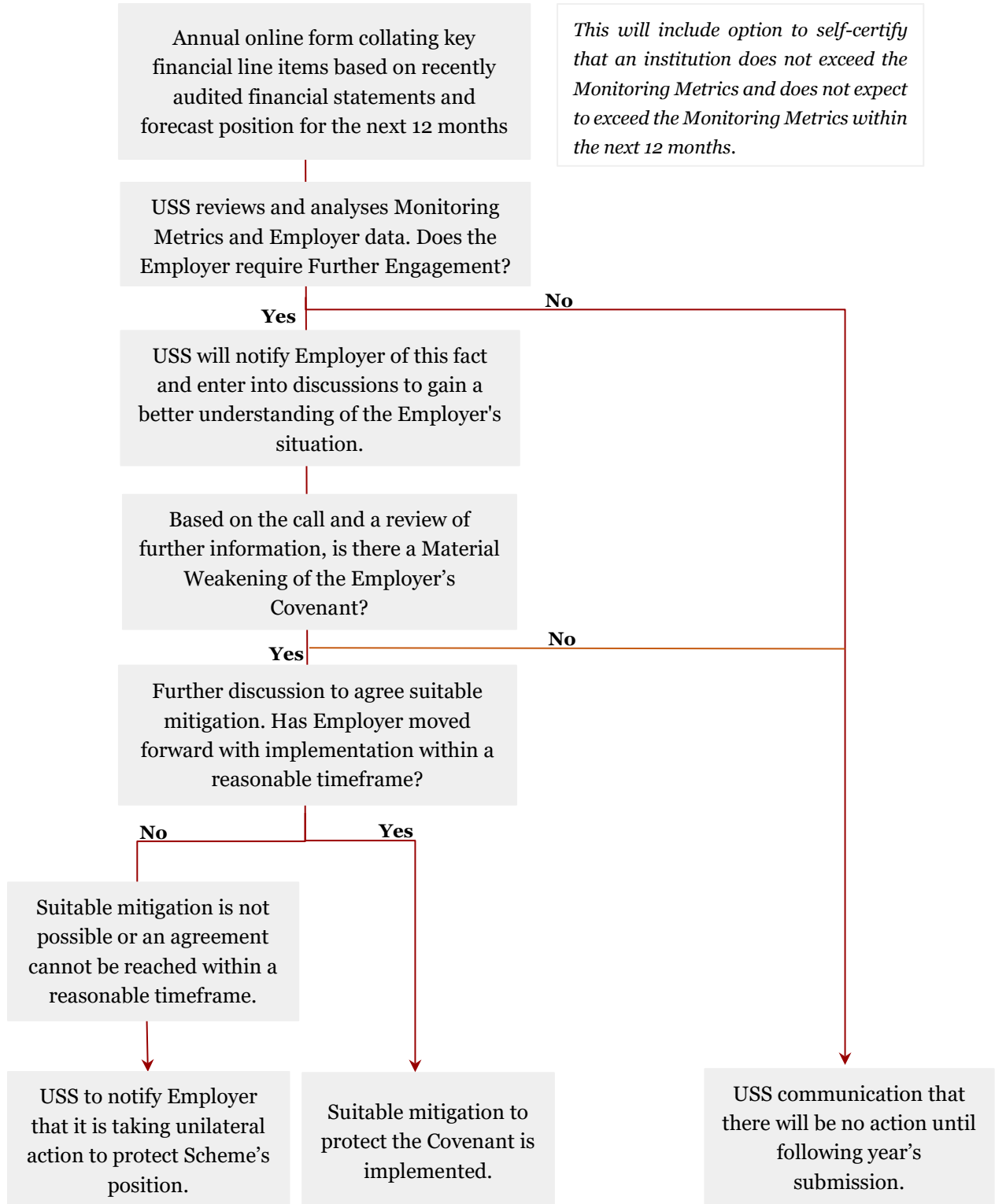
\* Note, for Monitoring Metrics A to C, loans from funding councils can be excluded where these amounts can be separately identified and evidenced as non-repayable. For the avoidance of doubt, any debt which the Trustee has agreed under 4.4(c) may be treated as “covenant enhancing” should still be included in the data submitted.

\*\* Employers and their subsidiaries should be considered. Secured debt includes cross-guarantees provided in respect of group entities on a secured basis. For the avoidance of doubt, any debt which the Trustee has agreed under 4.4(c) may be treated as “covenant enhancing” should still be included in the data submitted.

## DEBT MONITORING FRAMEWORK

### PART C – PROCESS FLOW CHARTS

#### APPENDIX 1 – PROCESS FOR COLLECTING AND REVIEWING DEBT MONITORING INFORMATION FROM EMPLOYERS



*On an ad-hoc basis, after 1 October 2021 each Employer will be required to provide USS with information relating to a change in its debt position since its last annual submission that has resulted (or is expected to result) in any of Monitoring Metrics A to D being exceeded and information relating to its financial sustainability that has been submitted to a regulatory body.*

**APPENDIX 2 – PROCESS FOR SEEKING PARI PASSU SECURITY FROM EMPLOYERS**

*Employers and their subsidiaries should be considered. Secured debt includes cross-guarantees provided in respect of group entities on a secured basis.*

If an Employer intends to grant security to a third party above the threshold level of Metric E, or to grant a floating charge, Employers to notify and enter into discussions with USS at least **12 weeks** before security is granted.

*There may be exceptional circumstances that mean 12 weeks' notice cannot be given.*

*An example of exceptional circumstances would be if an Employer was in distress and required financial support to manage liquidity within less than 12 weeks. In such circumstances, the Employer should notify USS of its intention to take on new or additional secured debt, and/or grant security for existing unsecured debt, and/or enter into Quasi-Security as soon as discussions begin with the third party to whom security is being proposed.*

Is there a carve out for this type/ quantum of debt?

**No**

**Yes**

Employer notifies the third party of its requirement to grant pari passu security to the Scheme and provides the Scheme with access to the third party to discuss.

*The Employer will coordinate and oversee any information exchange required between prospective creditors and USS in relation to pari passu security.*

USS informs the Employer of the quantum of the *pari passu* security required as defined in paragraph 6.1 of the Requirements Document. Employer decides to grant security to a third party?

**Yes**

**No**

USS will enter into discussions with the Employer to try to agree suitable mitigation measures. Employer agrees to grant *pari passu* security to the Scheme?

**No**

**Yes**

USS to notify Employer that it is taking unilateral action to protect Scheme's position.

Security granted to the Scheme for the duration of security being granted to the third party.

USS communication that there will be no action until following year's submission.

*USS will release its pari passu security as soon as is reasonably practicable after security to the third party is released and USS is satisfied it is reasonable to do so.*

## DEBT MONITORING FRAMEWORK

### PART D – WORKED EXAMPLES

#### **1 Background**

- 1.1** As outlined in the Policy Document, this Part D includes a number of illustrative Worked Examples to demonstrate how the Trustee expects the Framework to operate in practice.
- 1.2** This includes some of the actions the Trustee could take to protect the strength of the Covenant, where an Employer has exceeded Monitoring Metrics per paragraph 4 of the Requirements Document and the Trustee considers, after further engagement, that this has led to a Material Weakening of the individual Employer's Covenant (which will be assessed taking into account TPR's guidance).
- 1.3** The examples are illustrative, but are not exhaustive, as the Employers vary in size, operating models and structures and therefore, debt arrangements are likely to vary between institutions. This means that the Trustee cannot set out, definitively, how it will act in all circumstances where an Employer exceeds the Monitoring Metrics. The Trustee must retain its discretion to take such action to protect the Scheme's Covenant as it sees fit (taking into account the relevant Employer's particular circumstances and all powers available to the Trustee under the Scheme's Governing Documentation and applicable law and regulation).

#### **2 Worked Examples - exceeding Metrics A-D**

Worked examples covering a number of potential scenarios are set out below.

## 2.1 Scenario 1

**Employer A** completes the annual online submission in 2021 and its financial position compares to the Monitoring Metrics as follows:

<b>Monitoring Metrics</b> ( <i>calculations as per the Appendix to the Requirements Document</i> )	<b>Trigger threshold</b>	<b>Employer Metric result</b>	<b>Exceeds?</b>
A. Gross debt / Net assets excluding pension provisions	>50%	55%	Y
B. Gross debt / Total income	>50%	40%	N
C. Gross debt / Net cash flow from operations	>5x	4.7x	N
D. Interest cover	<4x	3x	Y
E. i. Consolidated total secured borrowings / Consolidated net assets (excluding pension provisions) OR	>10%	3%	N
E. ii. Total aggregate assets over which consolidated debt has security / Consolidated gross assets	>10%	2%	N

The Trustee reviews both the online submission and publicly available data and concludes:

- There is no material difference or inaccuracy between the data provided and the data per publicly available financial information; and
- Employer A has exceeded two Monitoring Metrics (A and D) and therefore has not triggered further engagement.

In July of the same year, Employer A notifies the Trustee that it is now planning to take out additional debt, which is expected to result in it exceeding Monitoring Metric B.

The Trustee requests, and reviews, the ad-hoc submission and publicly available data (if available) and concludes:

- Employer A is now exceeding three Monitoring Metrics (A, B and D).
- Employer A was exceeding two Monitoring Metrics in the previous year and therefore has not triggered further engagement. Note that if the employer had exceeded three metrics based on the previous year's annual submission, it would be considered that it had exceeded the metrics in two consecutive financial years and would trigger further engagement.

**Outcome: Trustee communication to Employer that there will be no action at this time.**

## 2.2 Scenario 2

**Employer B** completes the annual online submission and its financial position compares to the Monitoring Metrics as follows:

<b>Monitoring Metrics</b> ( <i>calculations as per the Appendix to the Requirements Document</i> )	<b>Trigger threshold</b>	<b>Employer Metric result</b>	<b>Exceeds?</b>
A. Gross debt / Net assets excluding pension provisions	>50%	55%	Y
B. Gross debt / Total income	>50%	65%	Y
C. Gross debt / Net cash flow from operations	>5x	6.7x	Y
D. Interest cover	<4x	3x	Y
E. i. Consolidated total secured borrowings / Consolidated net assets (excluding pension provisions) OR	>10%	3%	N
E. ii. Total aggregate assets over which consolidated debt has security / Consolidated gross assets	>10%	2%	N

The Trustee reviews both the online submission and publicly available data and concludes:

- Employer B has exceeded four Monitoring Metrics (A to D). After evaluation of the employer data the Trustee feels further engagement is warranted.

The Trustee contacts the Employer to notify that it has triggered further review, arranges a call, and requests additional information to assess the impact on Covenant e.g. business case for debt, 5 year business plan.

Based on the outcome of the call and the review of additional information, the Trustee concludes that there is no Material Weakening of the individual Employer's Covenant (i.e. the Trustee does not consider that the Employer's ability to support the Scheme is detrimentally affected in a material way by the Employer's debt position). For example, the exceeding was as a result of the institution taking on additional debt to manage short term liquidity issues resulting from the impact of COVID-19 and management has taken appropriate actions to ensure that the Employer remains sustainable; management has clear plans to repay the debt; and ability to service debt is not impaired.

The Trustee does, however, request additional monitoring to make sure that the Employer's position does not continue to deteriorate.

**Outcome: Trustee communication that there will be no further action at this time. However, the Trustee does request more regular reporting e.g. half - yearly submissions to monitor financial sustainability and may take action if it concludes there has been a Material Weakening in the Employer's Covenant following a submission.**



## 2.3 Scenario 3

**Employer C** completes the annual online submission and its results against the Monitoring Metrics are as follows:

Monitoring Metrics ( <i>calculations as per the Appendix to the Requirements Document</i> )	Trigger threshold	Employer Metric result in prior year	Exceeds?	Employer Metric result in current year	Exceeds?
A. Gross debt / Net assets excluding pension provisions	>50%	40%	N	65%	Y
B. Gross debt / Total income	>50%	65%	Y	70%	Y
C. Gross debt / Net cash flow from operations	>5x	5.5x	Y	2.4x	N
D. Interest cover	<4x	3x	Y	2.5x	Y
E. i. Consolidated total secured borrowings / Consolidated net assets (excluding pension provisions) OR	>10%	3%	N	3%	N
E. ii. Total aggregate assets over which consolidated debt has security / Consolidated gross assets	>10%	2%	N	2%	N

The Trustee reviews the online submission and publicly available data and concludes:

- Employer C has exceeded three metrics in two consecutive years. After evaluation of the employer data the Trustee feels further engagement is warranted.

The Trustee contacts the Employer to notify that it has triggered further review, arranges a call, and requests additional information to assess the impact on Covenant e.g. business case for debt, 5 year business plan.

The Trustee reviews additional information and concludes that there is a Material Weakening of the individual Employer's Covenant. For example, the Trustee is concerned about the serviceability of the debt and financial strength of the institution.

The Trustee and Employer C discuss possible mitigation.

Example mitigating actions that could be agreed between the Trustee and the Employer include:

- Bespoke monitoring of Employer;
- An agreement that an Employer's gross debt will not increase at a faster rate than the growth in net assets or income for a period of time;
- Unilateral action such as accelerated payment of existing deficit recovery contributions due from the Employer;
- The granting of security over assets in favour of the Scheme;  
Notifying TPR of concerns.

*[PLEASE NOTE: As mentioned at paragraph 1.2 of Part A and repeated at paragraph 1.3 of this Part D, the Worked Examples presented are illustrative and are not intended to cover all possible scenarios. Similarly, the mitigating actions set out above are not intended to be exhaustive. Each exceeding of the Framework will be considered on a case-by-case basis, and the actions that the Trustee will seek to take (if any) will be specific to the institution's circumstances. Any actions taken will be to protect the Scheme's Covenant]*

**Outcome: Suitable mitigation to protect the Covenant is agreed and implemented within a reasonable timeframe.**

## 2.4 Scenario 4

**Employer D** completes the annual online submission and its results against the Monitoring Metrics are as follows:

Monitoring Metrics ( <i>calculations as per the Appendix to the Requirements Document</i> )	Trigger threshold	Employer Metric result in prior year	Exceeds?	Employer Metric result in current year	Exceeds?
A. Gross debt / Net assets excluding pension provisions	>50%	45%	N	60%	Y
B. Gross debt / Total income	>50%	55%	Y	70%	Y
C. Gross debt / Net cash flow from operations	>5x	6.5x	Y	3.5x	N
D. Interest cover	<4x	3x	Y	3.5x	Y
E. i. Consolidated total secured borrowings / Consolidated net assets (excluding pension provisions) OR	>10%	3%	N	3%	N
E. ii. Total aggregate assets over which consolidated debt has security / Consolidated gross assets	>10%	2%	N	2%	N

As with Scenario 3, Employer D has exceeded three Metrics in two consecutive years and, after review, triggered further engagement. Following discussion and a review of further information, the Trustee seeks mitigation, but suitable mitigation is not possible or an agreement cannot be reached between the Employer and the Trustee within a reasonable timeframe.

**Outcome: Trustee to notify the Employer that it is taking unilateral action to protect the Scheme's position. See paragraph 5 of the Policy Document for examples of the unilateral action that the Trustee might potentially take.**

### 3 Worked Examples - exceeding Metric E

#### 3.1 Scenario 5

**Employer E** plans to take out debt of £5m that will be secured on a fixed basis over a lecture hall with an asset value of £7m and notifies the Trustee, reporting the following information:

Key financial line items	£'m	
Consolidated gross unsecured debt	240	
Consolidated gross assets	800	
Consolidated net assets excluding pension provisions	500	
Quantum of new debt granted security	5	
Type of security	Fixed charge over a lecture hall with a value of £7m	
Secured debt metric ( <i>calculations as per the Appendix to the Requirements Document</i> )	Trigger thresholds	Employer Metric result
E. i. Consolidated total secured borrowings / Consolidated net assets (excluding pension provisions) OR	>10%	1.0%
E. ii. Total aggregate assets over which consolidated debt has security / Consolidated gross assets	>10%	0.9%
Exemption: Irrespective of whether an Employer exceeds Metric E, total aggregate security over specific assets is exempt if the total aggregate value of such assets is less than the higher of: ➤ 2% of net assets excluding pension provisions; and ➤ £0.5m.	Higher of: <2% of adjusted consolidated net assets and £0.5m	1.4%

The Trustee reviews the information provided and publicly available data and concludes:

- New secured debt is below de minimis levels:
  - Total aggregate value of specific assets with security (£7m) is less than the higher of:
    - 2% of consolidated net assets excluding pension provisions (£10m); and
    - £0.5m.

**Outcome: Trustee communication that there will be no further action at this time.**

### 3.2 Scenario 6

**Employer F** notifies the Trustee that it is planning to take out debt of £75m to be secured on a fixed basis over assets worth £100m. It notifies the Trustee more than 12 weeks before it plans to grant security to the lender. Employer F reports the following information:

Key financial line items	£'m		
Consolidated gross unsecured debt	240		
Consolidated gross assets	800		
Consolidated net assets excluding pension provisions	500		
Quantum of new debt to be granted security	75		
Type of security	Fixed charge over assets with a value of £100m		
Employer Section 75 Deficit	£300m		
Employer Technical Provision Deficit ( <i>calculated based on the results of the Scheme's last triennial actuarial valuation</i> )	£90m		
Secured debt metric ( <i>calculations as per the Appendix to the Requirements Document</i> )	Trigger thresholds	Employer result	Metric
E. i. Consolidated total secured borrowings / Consolidated net assets (excluding pension provisions) OR	>10%	15%	
E ii. Total aggregate assets over which consolidated debt has security / Consolidated gross assets	>10%	12.5%	

The Trustee reviews the online submission and publicly available data and concludes:

➤ Employer F exceeds Metric E because:

- Consolidated total secured borrowings / Consolidated net assets (excluding pension provisions): £75m/£500m or 15%
- Total aggregate assets over which consolidated debt has security / Consolidated gross assets: £100m/£800m or 12.5%

The Trustee asks the Employer to provide *pari passu* security over the same or similar assets with a value acceptable to the Trustee (as *pari passu* over the same assets would not be possible in this scenario given the value is insufficient).

The Trustee asks for *pari passu* security to the amount of £90m. i.e.:

- a) the amount of the liabilities to the Trustee to be secured will be an amount equal to the Employer's share of the Technical Provisions Deficit (*calculated based on the results of the Scheme's last triennial actuarial valuation*) (£90m) or, if higher, an amount equal to the lower of:
  - i. the quantum of new or additional and/or existing secured borrowings on a £ for £ basis, but excluding the amount of any borrowings already secured as at 1 October 2021 (£75m); and
  - ii. the Employer's share of the Section 75 Deficit (£300m).

The Employer decides not to grant security to the third party.

**Outcome: Trustee communication that there will be no further action at this time.**

### 3.3 Scenario 7

**Employer G** has £240m of historical debt on an unsecured basis which matures. The bank requires security to refinance the debt. The security is in the form of a floating charge over all assets of the institution. Employer G notifies the Trustee of this more than 12 weeks before it plans to grant security to the bank and reports the following information:

Key financial line items	£'m
Consolidated gross unsecured borrowings	240
Consolidated gross assets	800
Consolidated net assets excluding pension provisions	500
Type of security	Floating Charge Proposal over all unsecured assets
Employer Section 75 Deficit	750
Employer Technical Provision Deficit ( <i>calculated based on the results of the Scheme's last triennial actuarial valuation</i> )	230

The Trustee reviews the data provided and publicly available data and concludes:

- Secured borrowings meet definition of a Floating Charge Proposal and therefore triggers the *pari passu* requirement.

The Trustee asks the Employer to provide a similar *pari passu* floating charge in the amount of **£240m**. i.e. the lower of the quantum of total secured borrowings (£240m); and Employer's estimated share of the Section 75 Deficit (£750m), as this is higher than its share of the Technical Provisions Deficit (*calculated based on the results of the Scheme's last triennial actuarial valuation*) (£230m) in this scenario.

Employer decides not to grant security to the third party and is able to seek alternative arrangements with another provider.

**Outcome: Trustee communication that there will be no further action at this time.**

### 3.4 Scenarios 8 and 9

As with Scenario 7, but:

Scenario	Employer decides to grant security to:	Outcome
8	<ul style="list-style-type: none"> <li>• Third party; and</li> <li>• <i>Pari passu</i> security to the Scheme</li> </ul>	<p><b>Pari passu security granted to the Scheme in the form of a floating charge for the duration of security being granted to the third party.</b></p>
9	<ul style="list-style-type: none"> <li>• Third party; but not</li> <li>• <i>Pari passu</i> security to the Scheme</li> </ul>	<p><b>Trustee to notify the Employer that it is taking unilateral action to protect Scheme's position. See paragraph 5 of the Policy Document for examples of the unilateral action that the Trustee might potentially take.</b></p>



#### **4 Worked Examples - covenant-enhancing investments**

**4.1 Employer H** enters into a public private partnership with a private construction firm to build a new campus, Campus X with a total cost of £150m.

This campus is expected to be financed with new secured debt over Campus X with:

- Private construction firm contributing 95% of the capital in the form of debt; and
- Employer H contributing 5% of capital in the form of a cash equity injection.

Certain debt instruments (such as this) will be considered by the Trustee on a case by case basis under paragraph 4.4(c) of the Requirements Document. As such, the Trustee's decisions will vary according to the particular circumstances.

Employer informs the Trustee of the initiative and the Trustee decides that it will not seek mitigation because:

- Campus X is expected to generate incremental income as the asset wouldn't be built without the provision of debt.
- No existing assets in the Employer will be secured, and no tangible assets will be contributed to the public private partnership.
- As such, this is not considered to Materially Weaken the Employer's Covenant.

**4.2 Employer I** intends to take out a secured loan of £25m to refurbish its student accommodation. Security has already been granted to existing lenders in excess of the thresholds in Metric E.

The employer has a s75 debt of £75m.

This arrangement may be considered by the Trustee under paragraph 4.4(c) of the Requirements Document. As such, the Trustee's decisions will vary according to the particular circumstances.

The employer informs the Trustee of the initiative and the Trustee decides that, in the absence of further mitigating information, the purpose of the proposed borrowing is in the nature of maintenance expenditure and does not create any new asset, that pari passu security should be provided to the Trustee.

**4.3 Employer J** intends to take out a loan of £50m to develop a new management school, with the funding secured on its new buildings. This initiative is anticipated to create new teaching revenues, satisfying a demand for business education and securing a significant endowment from a benefactor. A secured loan is the most cost-effective available funding source to complete the project.

This arrangement may be considered by the Trustee under paragraph 4.4(c) of the Requirements Document. As such, the Trustee's decisions will vary according to the particular circumstances.

The employer informs the Trustee of this initiative. The Trustee indicates that the initiative is potentially exempt from the pari passu requirements and asks to review the business case and the financial projections.

## DEBT MONITORING FRAMEWORK

### PART E – DEFINED TERMS

<b>Covenant</b>	Has the meaning given in paragraph 2.1 of the Policy Document.
<b>Deed of Accession</b>	The deed executed when an Employer joins the Scheme recording the terms on which the Employer is to participate in the Scheme.
<b>Employer</b>	Has the meaning given in the Scheme's Governing Documentation (and Employers shall be interpreted accordingly).
<b>Floating Charge Proposal</b>	Has the meaning given in paragraph 3.4(c)(i)(B) of the Requirements Document.
<b>Framework</b>	Means the framework adopted by the Trustee for monitoring levels of employer debt and documented in the Requirements Document.
<b>Fund</b>	Has the meaning given in the Scheme's Governing Documentation.
<b>Glossary of Terms</b>	Means this document.
<b>Governing Documentation</b>	Means, from time to time, the Scheme Rules, the Employers' Deeds of Accession, and any other document governing the operation of the Scheme.
<b>HESA</b>	Means the Higher Education Statistics Agency, the designated data body for the United Kingdom with a statutory role to report this data to Higher Education funding and regulatory bodies.
<b>Material Weakening</b>	There will be a material weakening in an Employer's Covenant where the Trustee considers (acting reasonably) that the Employer's ability to support its liabilities to the Scheme is detrimentally affected in a material way by the Employer's debt position (which will be assessed taking into account TPR guidance from time to time).
<b>Monitoring Metrics</b>	Means monitoring metrics A to E set out in the table contained at Appendix 1 to the Requirements Document. A Monitoring Metric will be exceeded where the 'Threshold' for that Monitoring Metric is exceeded.
<b>Policy Document</b>	Means the part of this document headed "Debt Monitoring Framework: Part A - Policy", as amended from time to time.

<b>Quasi-Security</b>	<p>Means an arrangement or transaction of the types described below:</p> <ul style="list-style-type: none"> <li>(i) the sale, transfer or other disposal of any assets on terms whereby they are or may be leased to or re-acquired by the Employer or any other member of the Employer's group;</li> <li>(ii) the sale, transfer or other disposal of any of the Employer's receivables on recourse terms;</li> <li>(iii) the entry into any arrangement under which money or the benefit of a bank or other account may be applied, set-off or made subject to a combination of accounts; or</li> <li>(iv) the entry into any other preferential arrangement having a similar effect,</li> </ul> <p>in circumstances where the arrangement or transaction is entered into primarily as a method of raising finance or of financing the acquisition of an asset.</p>
<b>Quasi-Security Proposal</b>	Has the meaning given in paragraph 3.4(c)(ii) of the Requirements Document.
<b>Requirements Document</b>	Means the part of this document headed "Debt Monitoring Framework: Part B - Requirements" (including all Appendices), as amended from time to time.
<b>Schedule of Contributions</b>	The formal document which sets out the level, timing and any conditions relating to contributions to the Scheme payable by members and Employers of the Scheme and prepared in accordance with section 227 of the Pensions Act 2004, as amended from time to time.
<b>Scheme</b>	Means the Universities Superannuation Scheme.
<b>Scheme Administration Regulations</b>	Has the meaning given in paragraph 2.1 of the Requirements Document.
<b>Scheme Rules</b>	Means the Rules of the Scheme dated 19 November 2015, as amended from time to time.
<b>Section 75 Deficit</b>	The amount, over and above the value of the Scheme's assets, which the Scheme actuary estimates would be required to meet specified estimated expenses and fully buy out the Scheme benefits with annuities from a regulated insurer, as determined in accordance with Section 75 or 75A of the Pensions Act 1995 and accompanying regulations, both as amended from time to time.
<b>Self-Certification</b>	Has the meaning given in paragraph 3.3 of the Requirements Document.
<b>Technical Provisions</b>	Under the scheme funding provisions of the Pensions Act 2004, the amount required, on an actuarial calculation (using prudent methods

and assumptions determined by the Trustee), to make provision for the Scheme's liabilities.

<b>Technical Provisions Deficit</b>	Means the difference between an Employer's Technical Provisions and the Scheme assets attributable to that Employer.
<b>TPR</b>	Means the Pensions Regulator.
<b>Trigger Event</b>	Has the meaning given in paragraph 4.2 of the Requirements Document.
<b>Trustee</b>	Means Universities Superannuation Scheme Limited.
<b>Worked Examples</b>	Has the meaning given in paragraph 1.5 of the Policy Document.

UNIVERSITY OF ABERDEEN

UNIVERSITY COURT

**PENSIONS ADVISORY GROUP REPORT**

**1. PURPOSE OF THE PAPER**

1.1 This paper reports to Court on the main items of business discussed at the meeting of the Pensions Advisory Group of 19 March 2024. The agenda, papers and draft minutes are available within the Decision Time [Resources](#) area for members of Court.

1.2 The report is for information.

**2. PREVIOUS CONSIDERATION BY /FURTHER CONSIDERATION REQUIRED**

	<b>Board/Committee</b>	<b>Date</b>
Previously considered by	n/a	n/a
Further consideration required by	University Court	24 April 2024

**3. RECOMMENDED ACTION**

3.1 The Court is invited to note the report which for information.

**4. DISCUSSION WITH CHAIR OF THE TRUSTEES OF THE UNIVERSITY OF ABERDEEN SUPERANNUATION AND LIFE ASSURANCE SCHEME (UASLAS)**

4.1 The main item of business was a discussion between members of the Group and the Chair of the UASLAS Trustees and the Scheme’s actuarial and investment advisors. This had been arranged as an opportunity to help the Group understand the current position of the Scheme and its future direction and likewise for the Scheme to understand the University’s perspective as the employer. The main points of the discussion concerned:

- The outcome of the 2022 Triennial Valuation of the Scheme. This reported a 94% funding level and an estimated £9.6m scheme deficit, the latter being almost the same position as in 2019.
- A deficit recovery plan had been agreed with the University as employer over a period of 11 years with recovery contributions of £725k per annum.
- The Pensions Regulator was yet to comment on the Valuation but the Scheme advisors noted that this was not a cause for concern at this stage.
- Scheme advisors outlined that a decision had been made in 2020/21 to manage the Scheme’s investments with a view to stability through a ‘hedged’ approach. A consequence or quirk of the 2022 Gilt crisis had been

that funds which were less protected and had taken a less hedged approach had profited, which was one of the contributory factors in the outcome of the Scheme valuation.

- Discussion turned to the participation rates in the Scheme which was an issue that both the Trustees and the Group had discussed recently. Affordability of the Scheme was believed by the University to be one reason why many eligible staff did not join and it was noted that contribution holidays had been provided at certain points. It was agreed to explore renewed promotion of the Scheme to relevant staff.
- The Group then later (absent of Scheme representatives) discussed how any future consideration of increasing participation in UALSAS might be informed. It was noted it might be helpful to engage some external expert advice in this regard. It was noted also that The Robert Gordon University had closed their local scheme and were opening a new Defined Contribution Scheme with no member contribution rate, which might be an option for future consideration in the University.
- It was noted that the Scheme Trustees would have welcomed earlier engagement by the University regarding its current voluntary severance/early retirement scheme, which had contributed to there being some delays in responding to applications. Scheme advisors noted that it could have led to a cashflow issue but the level of applications meant that this had not transpired. The Chair of the Trustees requested that in future the University provide earlier notice of matters that could have a significant operational implication for the Scheme. Members of the Group were also provided with additional context from the University's perspective on this issue.
- It was noted that the Scheme would undertake with its advisors a review of its investment strategy later in 2024 and this would take into account sustainable investments and look to align with the University's policies in this area. Whilst noting the independence of the Scheme trustees the University's Chief Financial Officer and the PAG would be engaged in that process in line with the requirement for Trustees to consult with the employer/sponsor.
- Further future issues anticipated were that the Pensions Regulator would bring in new regulations that would impact on the next Triennial Valuation. While the detail of these was yet to be announced, it was anticipated that it would mean an increase in the deficit position of the Scheme but due to the age profile of Scheme members, there would be time for it to adjust.

## **5. UNIVERSITIES SUPERANNUATION SCHEME (USS) DEBT MONITORING 2022/23 AND VERBAL UPDATE RE USS**

- 5.1 The Group received a report on the University's 2022-23 debt monitoring results and compliance against the USS pension covenants metric tests (metrics A to E). Although USS had yet to request the information for financial year 2022/23, it was not anticipated that the metrics would vary from those that had previously been agreed.
- 5.2 It was noted that, although the University had exceeded two of the five metrics in 2022-23 (metrics C and D), there was no requirement for it to enter into further engagement with the USS Trustees, as all four metrics A-D of the overall five would need to be breached in any year, or any three of metrics A-D in consecutive years, in order to trigger additional reporting. The paper also reported that the

forecast metrics for the current financial year would be calculated as part of the budget process with initial forecast indicating that Metrics C & D will be breached in 2023/24.

- 5.3 The Group noted that the Court had endorsed that the Senior Governor write to the Universities and Colleges Employers Association (UCEA) to request an update and acceleration of the USS governance reform workstream. A response had been received, advising that UCEA were yet to formally replace Universities UK (UUK) as the employer representative on USS and that they had therefore passed the matter to UUK. The item would be retained on the Action Log until a further response had been received. It was also noted that the Chair had proposed that the Group did not lose sight of governance reform of USS, the urgency of this and should continue to discuss the future of USS.

## **6. FURTHER INFORMATION**

- 6.1 Further information is available from or Bruce Purdon, Clerk to the Advisory Group (email [b.purdon@abdn.ac.uk](mailto:b.purdon@abdn.ac.uk)).

15 April 2024

**Confidentiality Status:** Open

UNIVERSITY OF ABERDEEN  
UNIVERSITY COURT  
**ANNUAL REPORT ON PREVENT DUTY**

**1. PURPOSE OF THE PAPER**

- |            |  |
|------------|--|
| <b>1.1</b> | <b>This paper is to provide an update on University’s activities relating to the Prevent Duty, for the academic year 2022-23, and the roll out of revised Prevent training in the year since its launch.</b> |
| <b>1.2</b> | <b>This paper is provided for information.</b>   |

**2. PREVIOUS CONSIDERATION BY /FURTHER APPROVAL REQUIRED**

	<b>Board/Committee</b>	<b>Date</b>
Previously considered/approved by	SMT	28 March 2024
Further consideration/ approval required by	n/a	

**3. RECOMMENDED ACTION**

- |            |  |
|------------|--|
| <b>3.1</b> | <b>Court is invited to note the contents of this report.</b> |
|------------|--|

**4. DISCUSSION**

- 4.1 The Counter Terrorism and Security Act 2015 places a duty on higher education institutions to engage with the UK Government’s Prevent agenda. This report provides the annual update on developments since the previous annual report, in April 2023.
- 4.2 The responsibility for keeping the University of Aberdeen’s Prevent policy, and associated guidance, under review and updated as necessary, rests with the Head of Health, Safety and Resilience. Operational and day to day matters are covered by the Prevent Co-ordinator (part of the job role of the Business Continuity Advisers) and the Head of Security.
- 4.3 There was an [Independent Review of Prevent](#) in the UK, delayed due to the pandemic, with the recommendations arising from it being published in February 2023. Therefore, there may be a need to revise the policy and requirements for additional training, for some specific roles, in due course. However, this will be dependent upon how the recommendations which are relevant to Higher Education are implemented in Scotland. The current policy, guidance and forms are available [here](#).
- 4.4 A new self-assessment process was rolled out in early 2023, to be used in advance of completing the statutory Prevent Annual Assurance – Higher Education return to the Scottish Government. The University of Aberdeen return was submitted before the deadline and signed off by the University secretary and Chief Operating Officer as the University Lead on Prevent. The self-assessment identified a few areas where we felt there was room for improvement but no major concerns or non-compliance issues, other than training – see section 4.9 below.
- 4.5 No referrals have been made of any students or staff causing concern under the Prevent duty since the previous report.
- 4.6 The Head of Security does due diligence with respect to events or controversial speakers, via open-source research and, if he has any concerns, makes further enquiries with the Police. However, although occasionally concerns have been raised during this period, there has not been a need to decline a controversial speaker.



4.7 As reported a year ago the following new “Prevent duty training: Learn how to support people vulnerable to radicalisation” e-learning courses were launched on 1<sup>st</sup> March 2023:

- Course 1 – Awareness course (30-40 mins)
- Course 2 – Referrals course (30-40 mins)
- Course 3 – Chanel or Prevent Multi-Agency Panel (PMAP) course (50-60 mins)
- Course – Refresher Awareness course (20-30 mins)

4.8 Completion of these continues to be monitored, with regular reminders issued to those who are expected to complete the training. The table below summarises the completion of the relevant courses as of 18<sup>th</sup> March 2024.

Course	Numbers of staff expected to complete the course	Numbers of staff who have completed the courses
1. Awareness	N/A - optional	690+
2. Referrals	20 (named individuals*)	100+
3. Chanel or Prevent Multi-Agency Panel (PMAP)	3 (named individuals)	40

4.9 \*Note: The only area of concern is that only 11 of the 20 Designated Safeguarding Officers have, so far, completed the referrals course. This is despite several reminders sent to the individuals whose training is outstanding.

## 5. FURTHER INFORMATION

5.1 Further information is available from Garry Fisher, Assistant Director and Head of Health, Safety and Resilience (01224 272783), [garry.fisher@abdn.ac.uk](mailto:garry.fisher@abdn.ac.uk)).

18/03/2024

**Confidentiality Status:** Open

## UNIVERSITY OF ABERDEEN

## UNIVERSITY COURT

**Resolution for Formal Approval: Election of Readers and Lecturers to the Senatus Academicus****1. PURPOSE OF THE PAPER**

1.1 This paper (i) provides Court with a report on the outcome of the statutory process of consultation regarding the Resolution to give effect to changes to the elected staff membership of the Senate and (ii) invites the Court to formally approve the Resolution – Appendix 1.

1.2 The Court previously received the draft Resolution at its November meeting and approved the proposals subject to the further consultation required by the Universities (Scotland) Act 1966 being undertaken.

**2. PREVIOUS CONSIDERATION BY /FURTHER APPROVAL REQUIRED**

	<b>Board/Committee</b>	<b>Date</b>
Previously considered/approved by	Senate Court Business Committee of the General Council	8 November 2023 21 November 2023 7 March 2024
Further consideration/ approval required by	University Court	24 April 2024

**3. RECOMMENDED ACTION**

3.1 The Court is invited to:

- (1) Note the outcome of the statutory process of consultation, from which no changes are proposed to the draft Resolution;
- (2) Formally approve the Resolution – Appendix 1

**4. BACKGROUND**

4.1 This Resolution enacts changes to the elected academic membership of Senate. The revisions to the elected academic staff membership of Senate are required to ensure the composition of the elected membership remains aligned with the size and shape of the staff and student bodies of the University. No changes are being made to the relative balance between the ex-officio, elected and student members of Senate.

## **5. OUTCOME OF THE STATUTORY CONSULTATION**

- 5.1 The Court received, on the recommendation of the Senate, the draft Resolution at its 21 November 2023 meeting and approved the proposals subject to the further consultation required by the Universities (Scotland) Act 1966 being undertaken (through the Business Committee of the General Council and making publicly available for comment).
- 5.2 That process has now been concluded, with the Business Committee providing its endorsement, and no further comments having been received from the draft Resolution being made available to the public. The Resolution is, therefore, unchanged from the version provided to Court in November and is presented for formal approval.

## **6. FURTHER INFORMATION**

- 6.1 Further information is available from Bruce Purdon, Clerk to the Court  
b.purdon@abdn.ac.uk

15 April 2024 v1

**Confidentiality Status:** Open

## RESOLUTION NO xxx OF 2023

This Resolution shall come force on with immediate effect after it is passed by the University Court.

### [Eleventh Amendment to Schedule A to University Court Ordinance No. 111 (Election of Readers and Lecturers to the Senatus Academicus)]

After consultation with the Senatus Academicus, the University Court of the University of Aberdeen at its meeting on <> passed the following Resolution:

1. In terms of Section 1(b)(i) and (ii) of University Court Ordinance No. 111 (Election of Readers and Lecturers to the Senatus Academicus), paragraph 1 of Schedule A (Regulations for the Conduct of Elections) to the said Ordinance, as amended by University Court Resolutions Nos. 27 of 1970, 44 of 1972, 64 of 1973, 139 of 1990, 196 of 1996, 223 of 2000, 245 of 2006, 252 of 2007, 260 of 2008 and 286 of 2017 is hereby further amended as follows:
  - (i) Voting shall take place in the following constituencies, which shall comprise the Professors, Readers and Lecturers, including Clinical staff and the holders of research and academic-related posts of equivalent status, who at the time of election are not members of the Senatus Academicus *ex officio*:

Name of Constituency	Number of Seats allotted to Constituency
(a) <i>Business School</i>	10
(b) <i>Divinity, History, Philosophy &amp; Art History</i>	5
(c) <i>Geosciences</i>	4
(d) <i>Language, Literature, Music &amp; Visual Culture</i>	5
(e) <i>Law</i>	6
(f) <i>Medicine, Medical Sciences &amp; Nutrition</i>	21
(g) <i>Natural &amp; Computing Sciences</i>	7
(h) <i>School of Biological Sciences</i>	4
(i) <i>School of Education</i>	5
(j) <i>School of Engineering</i>	5
(k) <i>School of Psychology</i>	4
(l) <i>Social Science</i>	4

- (ii) The number of seats allotted to individual constituencies (a) to (l) above may be varied by the University Court on the recommendation of the Senatus Academicus.
  
- 2. Notwithstanding Sections 5 and 6 of Schedule A to the above Ordinance, the system of voting to be followed within each constituency shall be the Single Transferable Vote, as specified by the current rules of the Electoral Reform Society.
  
- 3. Nothing in this Resolution shall affect the continued membership of the Senatus Academicus for the remainder of their term of office of any person who, at the date when this Resolution comes into force, is already a member of the Senatus Academicus in terms of University Court Ordinance No. 111.
  
- 4. This Resolution shall come into force from and after the date on which it is passed by the University Court.

**Freedom of Information/Confidentiality Status:** *Open*