University of Strathclyde

COURT (SPECIAL MEETING)

Minutes: 15th April 2008

Present: Mr J F Livingston, Convener of Court, Principal, Vice-Principal Professor J Love, Mr R Crawford, Mr D Dunbar, Mr P Goldfinch, Dr P Hughes, Mr T J Monaghan, Ms K Morrison, Dr P MacKenzie, Ms F McMenamin, Mr G Singh, Mr M Strachan, Dr C Vance, Dr G Wilson, Mr M Wishart.

Attending by invitation: Pro Vice-Principal Professor K Miller, Deputy Principal Professor A Ferguson, Deputy Principal Mrs A Hughes, Professor J Bourne (Dean of Education), Professor B Furman (Dean of Science), Professor C Grant (Dean of Engineering), Professor S Hart (Dean of Strathclyde Business School).

Attending: The Secretary to the University, Mr D Coyle (Finance Director), Mr G Roddick (Director of Estates Management), Professor D Law (Librarian and Head of Information Resources Directorate), Ms S Hunt (Head of Communications), Ms K MacLeod (Assistant Finance Director), Mrs V Hunter (Head of Asset Management), Mrs C Court (Administrative Officer).

Apologies: Deputy Principal Professor R Condie, Deputy Principal Professor J McDonald, Mr J Fergus, Mr D Gray, Dr D Grierson, Mr R J A Hunter, Bailie G Matheson, Professor M Pacione, Professor A Paterson, Ms K Reid, Mr M Ross, Dr C Tedford, Ms L Whiteford, Professor N Hutton (Dean of Law, Arts & Social Sciences), Ms J Whitley (Deputy Secretary), Mrs G McArthur (Court Secretary).

CM 4116 WELCOME

The Convener welcomed Mr R McClure, Chief Executive of the Scottish Funding Council (specifically for item CM 4118), Ms K MacLeod, Assistant Finance Director, and Ms V Hunter, Head of Asset Management, to the meeting.

CM 4117 MID YEAR REVIEW

Court received the Mid-Year Review Budget Update report from the Finance Director. The report provided information on the University’s financial position at the mid-year stage, with respect to the agreed budget for the current session. The report showed that the University’s favourable variances amounted to £2.886M, including £1.7M increase in net interest receivable, although it was noted that expenditure on large scale projects within the Estates Development Framework was now imminent, and so the interest on cash balances would be significantly reduced in future years, which would have a consequential impact on the general University budget.

The University Management Committee had given consideration to the mid-year financial position and had proposed how this balance could be allocated to benefit a number of areas within the University, including items which were of known strategic importance to the University, but on which no formal decision yet had been taken on the provision of funding. Taking account of a number of specific additional expenditures amounting to £682k, UMC had proposed that the following areas should benefit as follows:
Court noted that provision of extra support for the 2008/09 budget was required in the light of the strategic commitments that were being made in order to fund the delivery of excellence across the University in the areas of Research, Education and Knowledge Exchange. This was against the backdrop of the recent Comprehensive Spending Review settlement, which meant that allocations to Higher Education Institutions from the Funding Council in 2008/09 would, at 2%, be lower than the Retail Prices Index (currently 4.1%) and inflation. Thereafter, the settlement would slightly improve, but it remained unclear what would happen in the future with respect to general costs of living and, importantly, building construction costs. In view of this, the need for a cautious approach to budgeting would be required, whilst at the same time allowing sufficient room for investment in key strategic priorities.

On the recommendation of the University Management Committee, Court

RESOLVED that

i. the Mid Year Review Budget Update Report be approved as presented, including the recast into the SORP format;

ii. the above noted decisions of UMC regarding the allocation of the additional unexpected budget resource for 2008/09 be approved.

CM 4118 SPORTS AND HEALTH FACILITY (CM 4100, 4073; ESCM 197)

.1 Background

Court recalled that at its previous meeting on 11 March it had considered three options for the Sports and Heath facility: Option 1 – the fully combined facility; Option 2 – the phased development of a joint facility (with the University commencing with the develop of the first stage in an agreed and coordinated manner with the Colleges and possibly incorporating elements of their requirements, followed by the Colleges developing the second stage when they were in a better position to quantify and support their needs); and Option 3 – the University could proceed with its own stand alone facility. Court had agreed that this Special Meeting should be held to allow time for further discussions with the Funding Council and for further information to be made available to Court in order that a decision could be taken as to how the University should proceed in this matter.

Court was informed that since the previous meeting there had been extensive discussions involving the University, College Principals, ProCo, the Funding Council, legal advisors, specialist project advisors and design consultants.

It was reported that since spring 2007, when the prospect of a collaborative venture with the Colleges had first been raised as a real possibility with the University, its staff and students had engaged with the concept of a combined facility positively and had expended considerable energies to explore the efficacy of the project. It was reiterated that the University had made it clear at the outset that its timetable was such that the new facility had to be in place by summer 2011 at the latest, in order to tie in with the relocation from the Jordanhill Campus. The University’s schedule for the project had already been delayed by one year. Such delay in deciding which option should be progressed had represented a
substantial additional cost to the University bearing in mind the project cost of more than £30M and construction inflation at approximately 6%, and any further delay also ran the risk of not meeting the 2011 timetable with concomitant and severe financial consequences for the move of the Faculty of Education.

Court noted that, despite the considerable amount of activity and discussion which had taken place between all interested parties during the previous month, a number of major issues remained unresolved regarding the combined project including: ownership; division of running costs; satisfactory guarantees of Colleges contributions; and method of procurement. Failure to resolve these issues would lead to a project with an unacceptable level of risk, as indicated at the previous Court meeting. In addition, it was noted that the four Colleges were in the process of establishing a contracting body, New Campus Glasgow Ltd. Furthermore, it was reported that in recent weeks it had been confirmed that the Funding Council’s interest in pursuing a special purpose vehicle approach would offer no real material benefits and was likely to be more complex and costly than ownership by the University or a joint ownership model.

An underlying theme to many of the discussions was an attempt to quantify the value for money (VFM) of the various options. Key factors which impacted on the VFM considerations for the combined facility were the following assumptions: the area of the facility; the construction costs; the Colleges’ requirements and the way these impacted on the University’s business plan (which required recreational use); the costs of decanting either from the University’s Estates building or from the Central College of Commerce Learning Curve Building; and the operational costs. It was reported to Court that subsequent to a meeting of University, College and Funding Council representatives on 7 April, the College Principals had confirmed that the latest information on the Colleges requirements’ was their final determination. However, this meant that the University and Colleges requirements could not both be met within the existing projected capacity. Therefore, the basic assumption about the area of the facility and costs would have to be revisited if the combined option was to be progressed. It was noted that in order to progress the phased option a master plan would need to be agreed with the Colleges which would finalise the space requirements for phase one and the connectivity of the phases. Furthermore, it was reported that the University had offered the temporary use of its current sports centre on John Street to the Colleges when the University moved into the first stage of the phased option.

It was reported that the latest estimate of the VFM saving for the combined option was in the order of £8.6M. However, the changes to this option to accommodate the timetable requirements of both the University and the Colleges (an additional three court hall) and the earlier than anticipated Central College decant reduced this to £5.9M. Furthermore, the advice from the professional specialist advisors was that the operating costs for the combined facility (excluding the additional hall) would be greater than the costs of operating the phased option, because of a reduction in income for recreational use resulting from the Colleges teaching requirements.

Court members noted that, whilst the University genuinely wished to be able to progress with the fully combined option, the timeframe for the preparatory work required by all parties was insufficient to allow the University to meets its deadline of summer 2011. Completion of this project needed to coincide with and accommodate the relocation of the Faculty of Education. If the University did not meet this deadline it would generate large additional costs.
Mr McClure, Chief Executive of the Scottish Funding Council, thanked the Convener and members of Court for agreeing to his request to attend this special meeting. Mr McClure opened his address by stating that the Funding Council could not dictate a decision to the Court. However, he had sought to attend the meeting to highlight that it appeared to the Funding Council that the University had already made up its mind regarding the sports and health facility and that he wished to ensure that Court was fully aware of all the facts before a final decision was taken. Mr McClure indicated that the proposed phased option appeared to be little more than two stand alone facilities.

Mr McClure recognised the University’s timescale, the uncertainty and the risks surrounding the combined project. He highlighted the possible benefits of a combined project and the “prize” of the fully integrated development. Mr McClure referred to the VFM figures which had been presented to Court and he suggested that a total sum in the order of £12M could be saved if the combined project went ahead, as savings would be made from the building inflation costs for the Colleges’ build several years later should the phased or stand alone options be progressed. He also thought that the Central College’s decant costs from the Learning Curve building should not be used in the University’s calculations for VFM as these costs would be incurred at some point in the development, either in the short-term or the longer-term. Furthermore, he also questioned the estimates regarding the operational costs, which indicated that the combined facility would be more expensive to run than the phased or stand alone developments; and also that the differences in revenue from recreational use between the combined and phased/stand alone options were not sufficient to overcome the VFM and operational cost arguments. Mr McClure acknowledged that the Colleges’ usage of the facility had not yet been finalised and that there was ongoing debate regarding whether a second sports hall and a dance studio were required, but the Funding Council thought that it was worth continuing discussions regarding the combined option in order to find a solution to the access issues. Mr McClure noted that since the feasibility study the University’s space requirements had increased by 47% and the Colleges’ by 41%.

Mr McClure also referred to the Gardiner and Theobald estimates that indicated that the stand alone option would cost the University £35.2M, whilst the University’s share of the combined facility, assumed at 46% of the total cost, would be £26.6M. On looking at the estimated costs for two proposed locations for the combined facility: i.e. the ‘long thin’ site along Cathedral Street and utilising the Central College’s land; and the ‘L-shaped’ site fully based on University land and assuming the demolition of the St James Road building currently occupied by Estates Management; Mr McClure indicated that the ‘L-shaped’ site was preferable to the Funding Council as it provided a better facility, would cost less and would allow the University to improve its estate by building a new building in which to locate Estates Management at an estimated cost of £12M.

It was reported that further to the Funding Council’s letter of 7 April, in which it was stated that the Funding Council would not be able to provide extra funding to the University to pursue the ‘L-shaped’ option, that Mr McClure had held discussions with the Chair of the Council and if the University accepted the figures being quoted by the Funding Council that it would be prepared to “put something towards that if it would cement the joint outcome.” It was indicated that this might be in the order of £3-4M.

Mr McClure was of the view that the combined option was the best outcome for the University, the Colleges and for Glasgow. Whilst he noted the time pressures on the University, Mr McClure was of the opinion that the University would not meet its schedule if the phased option was pursued as the option had not yet been fully specified, and he thought that not much more time would be lost if the combined option was progressed. With regard to the University’s concerns about the ability of the Colleges to work in a
coordinated fashion, Mr McClure indicated that “discussions were closer” regarding a single client vehicle and that the Colleges were prepared to sign up to the long-term commitment.

Mr McClure concluded by informing Court that should the University decide to recommend the phased option, the Funding Council was “not likely to support” that decision.

Discussion

The Convener thanked Mr McClure for his presentation on behalf of the Funding Council and indicated that the Court was mindful of the importance of this development to the City of Glasgow, but that the main concern of the Court was the interest, and particularly the financial well being, of the University.

Court emphasised that its primary role was to best serve the interests of the University and to protect its financial viability. It was imperative that the Court did not allow a project to progress which had a real possibility of escalating out of financial control and impacting on other key strategic projects. Members were deeply concerned that the Funding Council thought that the University had not engaged seriously in exploring the combined facility with the Colleges, as the University had looked at the proposal constructively and to date £1M had been absorbed by the University due to delays introduced by the scoping of the combined project. Court reaffirmed its position that the risks associated with the combined facility were too great for it to recommend the integrated proposal. The phased option was an attempt by the University to reduce the level of risk whilst retaining some of the advantageous elements of an integrated approach. Some savings would still be possible with a phased approach and members were disappointed that Mr McClure felt that the Funding Council would not support the phased option.

Members of Court also highlighted that the University should not be detracted from its strategy by pursuing a project which had, at this stage, a not insignificant number of unresolved issues. The President of the Students’ Association highlighted that the new facility would be an integral part of the student experience and that the student body supported the phased option to be able to provide a high-quality joint facility and also in order to meet the tight timeframe of the move from the Jordanhill Campus. In general the feeling of members of Court was that the University had to progress the sports and health facility project as soon as possible to allow for the relocation of the Faculty of Education.

It was noted that the detailed figures regarding the project were available to the University’s Senior Officers and members of the Estates Strategy Committee (which was Chaired by, and attended by, members of Court) and that an appropriate set of figures were submitted to the meetings of Court. Court confirmed that it was content with the quality and amount of advice it received from its external and internal advisers. It was highlighted that the figures prepared for the options/scenarios by the professional advisers were based on certain assumptions. For example, the Colleges being able to contract as a single body and that they would accept the University’s procurement methods. These two basic assumptions were as yet unresolved. Furthermore, some of the VFM figures being quoted did not take account of the operational costs or of the additional cost of a further sports hall and possible dance studio to accommodate the Colleges’ requirements; and with regard to the University’s space requirement increasing by 47% from the feasibility study stage (whilst the actual figure was questioned) the increase was primarily due to the incorporation of some elements of the Faculty of Education from the new build for the Faculty to the sports and health facility.

Some members of Court expressed surprise and dismay regarding Mr McClure’s reluctance to support the phased option. Whilst it was acknowledged that some of the details of the phased and the stand alone options had yet to be finalised, it was the view of the University
that they were the only options which afforded a realistic opportunity of being able to meet the 2011 deadline. However, it was noted that the estimated cost of the phased project was more expensive than the combined, in the main part due to construction inflation costs; and that the first phase of the joint option would be more expensive than the stand alone option due to the incorporation of some elements for phase two, primarily the expanded heat and power facility and the basis for the second swimming pool. It was recognised that further discussions regarding the phased proposal would only be possible with the support of the Funding Council and the Colleges. Mr McClure responded that the Funding Council did not have sufficient information about the proposal on which to base a decision.

Mr McClure indicated that he understood that the University’s stand alone facility was estimated to cost £35M and its share of the combined option to be 46% of the total cost (£58M), estimated to be £26.6M. However, the University highlighted that a share of the cost had not yet been agreed, and could not be agreed, with the Colleges until the timetabling issues had been resolved, and that for the sake of discussions with the Colleges a 50:50 split was being assumed. The figure of £35M for the stand alone facility was currently being reviewed by the University and this would be significantly reduced. Mr McClure concluded that he could not understand why the University would wish to progress with the stand alone option, which would mean that the Colleges would also have to progress with their own project, which in totality would cost more and take more time than progressing the combined option now. However, Mr McClure commented that the Colleges would be highly unlikely to progress with a stand alone facility, but would look to integrate their sports and health requirements within the wider redevelopment of their estate and it was anticipated that this would generate economies of scale for the Colleges.

.4 Conclusions

In summary the Principal concluded that the only figures in which members of Court could have confidence were those for the stand alone option, which were based on the University’s business plan developed over the past three years for a facility to meet its needs for research, teaching and recreation, and for the simultaneous relocation of the Faculty of Education. It was noted that, whilst the University had received the possibility of a combined and larger facility with excitement, this option required a major revision of the planning stages and there had been insufficient time for this if the University’s timetable for its location on one campus was to be met. With regard to the proposed ‘L-shaped’ footprint for the combined facility, it was clear that the VFM would be significantly reduced if this option was progressed. In addition, it was unclear if the four College Principals would be in a position in the next few weeks to be able to act as a common body to allow the combined option to progress. It was the Principal’s view that the phased option was the best option given the prevailing circumstances and that it would afford the opportunity for the phased development of an impressive facility for the University, the Colleges and the City. If the University had no time pressure for completion by 2011, then the combined facility option would most likely have been progressed, but the integrated nature of these two major projects for the University made it impossible to allow any further delay of the sports and health project as the relocation of the Faculty of Education had to be completed in 2011.

In light of the above discussion Court

RESOLVED

i. that the proposal for a combined facility with the Colleges in a single building was irreconcilable with the 2011 deadline for the Faculty of Education transfer and should not be pursued further,
ii. that a final decision be reached at the next meeting of Court between the two remaining options: an integrated but phased development or a stand alone facility.

CM 4119 RETIREMENT OF PRINCIPAL

The Principal announced his intention to retire next year. Professor Hamnett had been Principal for eight years and in that time, the University had enjoyed considerable success. It was now amongst the highest entry standards in the UK, yet still out-performed its benchmark group in terms of recruiting students from under-privileged backgrounds. Research income had increased by 38% and was now rising faster than at most other Scottish universities. He would be leaving the University poised to begin the £250m development of the estate which over the next three years would see a new Sports and Health Centre and buildings to house the Faculty of Education and the Strathclyde Institute of Pharmacy and Biological Sciences.

The Convener thanked the Principal for his outstanding service and under his leadership, had committed the University to an excellence agenda which aims to ensure that the University was a place where only the best worked and studied.

It was noted that the exact date of Professor Hamnett's retirement would depend on when his successor would be able to take up the post, but this would be on or before July 2009. Until that time, the Principal would continue with his duties as normal. The process of identifying that successor would commence next month with an announcement anticipated by the end of the year. Court and Senate would, in early May, set in train the formation of a Joint Committee in accordance with the University's statutes to identify his successor.

CM 4120 NEXT MEETING

The next meeting of Court will be held on Friday 9th May 2008 at 10.00 a.m. followed by lunch and then the meeting of General Convocation at 2.00 p.m.

CC, 20.04.08 (rev 30.04.08)